

**LICENCE  
MODIFICATIONS  
PURSUANT TO THE  
POWER NI SUPPLY  
PRICE CONTROL  
2026-2029 FINAL  
DETERMINATION**

**Decision Paper  
30 June 2025**

## About the Utility Regulator

The 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 Millenium House in the centre of Belfast. The Chief Executive and two Executive Directors lead teams in each of the main functional areas in the organisation: CEO Office; Price Controls; Networks and Energy Futures; and Markets and Consumer Protection. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

**Utility Regulator**

**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**

- ACCOUNTABLE:**  
We take ownership of our actions.
- TRANSPARENT:**  
Ensuring trust through openness and honesty.
- COLLABORATIVE:**  
Connecting and working with others for a shared purpose.
- DILIGENT:**  
Working with care and rigour.
- RESPECTFUL:**  
Treating everyone with dignity and fairness.

## ABSTRACT

We are publishing a decision on licence modifications pursuant to the Power NI Supply Price Control 2026-2029 (SPC25) Final Determination. SPC25 is the price control for Power NI for the four years from 1 April 2025.

The SPC25 Price Control sets out the basis for calculating the average maximum allowed unit price of electricity Power NI can charge regulated (domestic) consumers.

The focus of the final determination and the accompanying licence modifications is operating expenditure, margin, and any other pass-through costs which Power NI can recover from consumers.

We consulted on all licence modifications in order to preserve the right of licence holder and stakeholders to challenge our price control decisions. We have given due consideration to the two responses received and have made a final decision on licence modifications to bring the price control decisions into effect.

## AUDIENCE

Power NI, consumers, consumer representatives, consumer groups, other regulated companies in the energy industry, government, and other bodies with an interest in the energy industry.

## CONSUMER IMPACT

Power NI is the only electricity supplier in Northern Ireland whose domestic tariffs are regulated. The price control sets allowed values for the costs and margin for the duration of the control period and subsequent regulated tariffs will be set using these determined values and the mechanisms of the licence. The price control decisions have an impact on about 8% of an average domestic bill

# Contents Page

<b>1.</b>	<b>Introduction.....</b>	<b>6</b>
	Purpose of this document.....	6
	Legal and Regulatory Framework.....	7
	Consultation on licence modifications.....	9
	Document Structure.....	12
<b>2.</b>	<b>Overview of Condition 55, Annex 2 of the Licence .....</b>	<b>14</b>
<b>3.</b>	<b>Condition 55, Annex 2, Section 1 - Definitions .....</b>	<b>16</b>
	Overview .....	16
	Consultation Responses .....	16
	Reasons for and effects of modifications to the definitions to Condition 55, Annex 2. ....	17
<b>4.</b>	<b>Condition 55, Annex 2 Section 2 – Definition of the <math>G_t</math> term .....</b>	<b>19</b>
	Overview .....	19
	Consultation responses.....	19
	Reasons for and effects of modifying the definition of the $G_t$ term.....	23
<b>5.</b>	<b>Condition 55, Annex 2, Section 2 - Definition of the <math>S_t</math> term .....</b>	<b>25</b>
	Consultation responses.....	25
	Reasons for and effects of modifying the definition of the $S_t$ term.....	31
<b>6.</b>	<b>Condition 55, Annex 2, Section 2 – Definition of the <math>E_t</math> term .....</b>	<b>40</b>
	Introduction.....	40
	Consultation response .....	40
	Reasons for and effects of modifications to the $E_t$ terms.....	44
<b>7.</b>	<b>Condition 55, Annex 2, Section 6 - Duration of Supply Charge Restriction Conditions .....</b>	<b>49</b>
	Overview .....	49
	Reasons and Effects.....	50
<b>8.</b>	<b>Next Steps .....</b>	<b>51</b>

## Annexes

Annex	Description
Annex A	Power NI's response to the Article 14(2) consultation on licence modifications.
Annex B	Consumer Council for Northern Ireland's response to the Article 14(2) consultation on licence modifications.
Annex C	Notice under Article 14(8) of the Electricity (Northern Ireland) Order 1992 – Final decision on modifications to be made to the licence held by Power NI Energy Ltd to supply electricity. and Appendix setting out marked up tracked changes version of Condition 55, Annex 2 of the current licence consistent with the final modifications.

# 1. Introduction

## Purpose of this document

- 1.1 The SPC25 Price Control is the name given to the price control for Power NI which covers a four-year period from 1 April 2025 to 31 March 2029. It sets out the basis for determining the maximum average charge per unit supplied which Power NI will be allowed to charge domestic consumers up to March 2029.
- 1.2 This decision paper on licence modifications to the Power NI supply licence is published pursuant to our Power NI Price Control 2026-29 Final Determination. As part of the price control, we made a number of decisions which are detailed in the SPC25 Final Determination and now need to be implemented through licence modifications to bring them into effect and preserve the right of the licence holder and other key stakeholders to challenge our price control determination as set out in Paragraph 1.13 below.
- 1.3 The purpose of this document is to detail several licence modifications we are making to the Power NI supply licence. The modifications relate to Condition 55, Annex 2 of the Power NI supply licence (Supply Charge Restriction Conditions). This annex to the supply licence sets out the basis for calculating the “maximum average charge per unit supplied in respect of relevant year t” which Power NI can charge its regulated consumer base.
- 1.4 We (Utility Regulator, UR, the Authority) consider that the licence modifications in this document are necessary and appropriate in accordance with our statutory principal objective and general duties (summarised in the section Legal and Regulatory Framework below), to give effect to the decisions incorporated within the final determination which were also made in accordance with that objective and those duties.
- 1.5 As referenced in Paragraph 1.3 above, the purpose of this document is to detail the licence modifications we have determined are required to bring these changes into effect. Prior to making this decision on the Power NI supply licence we consulted on these modifications and received two responses from Power NI and the Consumer Council for Northern Ireland. We have given these responses due consideration and made some amendments to the licence modifications published in our consultation.

- 1.6 The main changes to the Power NI supply licence include:
- a) modifying various definitions to reflect the dates of the SPC25 Price Control, which will run from 1 April 2025 to 31 March 2029;
  - b) updating key financial parameters in the licence to reflect our final determination for the SPC25 Price Control;
  - c) introducing additional mechanisms into the licence which:
    - (i) vary the margin recovered by the company to reflect changes in the market price of electricity as well as the number of customers served; and
    - (ii) share cost out-performance or under-performance against price control allowances between the company and consumers;
  - d) changing the basis for the 'specified average rate' to the Bank of England base rates in place of Danske Bank base rates;
  - e) making provision for additional allowances to be determined in specified circumstances and to remove redundant terms.
- 1.7 We are also making some minor additional modifications to the licence to address any known and obvious drafting errors and certain licence inconsistencies. However, we are aware that there are other aspects of the licence which will require further amendment (not related to the SPC25 Price Control) to ensure the licence is up to date. These amendments will be made to the licence over the course of the SPC25 price control period.
- 1.8 The date on which the licence modifications contained in this document will be made is 25 August 2025. However, the modified price control will operate such that the modifications will be treated as being applicable with effect on and from 1 April 2025.

## Legal and Regulatory Framework

- 1.9 Our principal objective in carrying out our electricity functions is to protect the interests of consumers of electricity supplied by authorised suppliers, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission, distribution or supply of electricity, and by having regard to a number of matters, as set out more fully in Article 12 of the Energy (Northern Ireland) Order 2003 (the Energy Order)<sup>1</sup>.

<sup>1</sup> [The Energy \(Northern Ireland\) Order 2003 \(legislation.gov.uk\)](https://www.legislation.gov.uk)

- 1.10 Power NI has a licence to supply electricity to any premises in the authorised supply area identified in its licence. This licence sets out the obligations Power NI needs to comply with when supplying electricity in its licensed area. These modifications focus on the “maximum average charge per unit supplied in respect of relevant year t” which the Licensee is permitted to charge for supply to regulated premises<sup>2</sup>, in effect domestic premises.
- 1.11 In fulfilment of our duties, we may make modifications to the licence under Article 14 of the Electricity (Northern Ireland) Order 1992<sup>3</sup> (the Electricity Order). Article 14 sets out the process we need to follow when making licence modifications. We need to give notice of at least 28 days of the proposed modifications. We must give due consideration to any representations made during this period and publish our decision and the final licence modifications, stating the reasons for them and their effects, and explaining any changes we have made to the draft licence modifications published with the consultation. The effective date for the licence modification must be at least 56 days after the publication of the licence modification decision.
- 1.12 Since the coming into effect of the Gas and Electricity Licence Modifications and Appeals Regulations (Northern Ireland) 2015<sup>4</sup> on 6 February 2015, we no longer need the consent of the licence holder to make a modification to its licence. In consequence of that, we no longer require a power to refer a licence to the Competition and Markets Authority (CMA) if consent is withheld. Licence modification decisions are automatically effective. However, any licence modification decision made under Article 14 of the Electricity Order may be appealed to the CMA by:
- the licence holder concerned;
  - any other licence holder materially affected by the decision;
  - a qualifying body or association representing a licence holder concerned or a licence holder materially affected by the decision; or
  - the Consumer Council for Northern Ireland.
- 1.13 If an appeal is made to the CMA, the CMA will in a first step decide whether to give permission for the appeal to proceed or not. If permission is granted, the CMA has a period of 4 months, or in the case of licence modifications relating to price controls (as in this case) 6 months, in which

<sup>2</sup> Defined in the licence as “any premises supplied by the Licensee, other than the following: (a) Non-Domestic Premises and (b) other premises as may be agreed by the Authority and the Licensee from time to time.”

<sup>3</sup> [The Electricity \(Northern Ireland\) Order 1992](#)

<sup>4</sup> [The Gas and Electricity Licence Modification and Appeals Regulations \(Northern Ireland\) 2015](#)



to determine the appeal. These timelines can be extended to 5 months or 7 months respectively, if required.

## **Consultation on licence modifications**

- 1.14 Before making this decision, we published our final determination for the SPC25<sup>5</sup> Price Control on 24 April 2025. In parallel with the final determination, we published a consultation on the licence modifications we proposed to make pursuant to the final determination<sup>6</sup>. The consultation on licence modifications closed on 23 May 2025.
- 1.15 Two responses were received to the consultation on licence modifications, one from Power NI and one from the Consumer Council for Northern Ireland (CCNI). These responses are included in Annexes A and B of this decision paper.
- 1.16 CCNI made no specific comments on the licence modifications but was content that the modifications proposed needed to be implemented to bring the Power NI Price Control 2026-29 Final Determination into effect. We note the comments and thank CCNI for its response.
- 1.17 Power NI's response to the licence consultation was in two distinct parts. First, in the Executive Summary of its response, Power NI made a number of comments regarding the outcome of the price control, summarising its previous submission and the issues it had raised in its response to the draft determination and expressing its dissatisfaction with the outcome of the price control. Having considered these points, we are content that Power NI has not raised any new issues. UR took these points fully into account in our final determination, accompanied by the response provided by UR's consultant, First Economics which was published as part of our final determination.
- 1.18 In the second part of its response to the consultation on licence modifications, Power NI made detailed comments on the legal drafting of the licence modifications, asking for additions or amendments to the proposed modifications.
- 1.19 In Table 1.1 below, we have provided a summary response to the issues raised by Power NI in its response to the consultation on licence modifications.

<sup>5</sup> [Power NI Supply Price Control 2026-2029 Final Determination | Utility Regulator](#)

<sup>6</sup> [Power NI licence modifications consultation | Utility Regulator](#)

**Table 1.1: Power NI response to the consultation on licence modifications**

Power NI Response	UR response
Executive Summary Margin level – inherent risk.	Annex B to the final determination addressed the issue raised by Power NI in, but not limited to, section 2 parts i) and ii).
Executive Summary Margin level - Capital Requirement Recognition - UR did not recognise the element of Power NI's capital requirement that it accesses due to its position in Energia Group.	Annex B to the final determination addressed the issue raised by Power NI in but not limited to section 2 part vi).
Executive Summary Margin level - Capital Requirement Recognition - UR should have considered what a normal rate of return is for an efficient supplier, or in terms used in Great Britain; aligned to what a rate of return for a notional supplier is.	Annex B to the final determination addressed the issue raised by Power NI in, but not limited to, section 2 part vii).
Executive Summary Operating Cost Review – Disallowances	This issue is addressed in Chapter 4 of the final determination, starting at paragraph 4.19
Executive Summary Operating Cost Review – Cost Sharing Mechanism	This issue is addressed in Chapter 3 of the final determination, starting at paragraph 3.53
Executive Summary Structure and Form of Price Control	We welcome Power NI's support of the 4-year price control and engagement on the inclusion of a margin calculation floor.
Executive Summary Conclusion- Outcome of the price control	We note Power NI's response. We gave careful consideration to the points raised by Power NI and set out our response to these issues when we published our final determination and consultation on licence modifications for the Power NI Price Control
Executive Summary Conclusion- assessment of all aspects of the business Commitment to working with UR	The detailed analysis undertaken was merited due to the length of time since the previous full price control and the increase in operating costs, as outlined in paragraph 4.19 of the final determination.  UR also remains committed to working constructively with Power NI.

Power NI Response	UR response
<p>Legal Drafting</p> <p>Definitions within the <b>S<sub>t</sub></b> Term</p> <p>The company asked the certain terms of the St term should be defined, or the proposed definition clarified,</p>	<p>We have responded to the issues raised in detail in Chapter 5, providing additional definitions and amended proposed definitions as appropriate.</p>
<p>Legal Drafting</p> <p>Definitions within the <b>MS<sub>t</sub></b> Term</p>	<p>We have responded to the issues raised in detail in Chapter 5, providing additional definitions and amended proposed definitions as appropriate.</p>
<p>Legal Drafting</p> <p>Definitions within the <b>MF<sub>t</sub></b> Term</p>	<p>We have responded to the issues raised in detail in Chapter 5, providing additional definitions and amended proposed definitions as appropriate.</p>
<p>Legal Drafting</p> <p>General</p> <p>The company asked that references in the decision paper to the change of definition of “relevant year t” to replace the date of 1 Apr 14 with 1 Apr 25 should be amended to avoid confusion, with “relevant year t-1” should be defined separately outside of “relevant year t”. Power NI noted, however, the updates have been correctly made in Schedule 1, Annex 2, 1.1</p>	<p>The text of the decision paper has been amended at Paragraph 3.13.</p>
<p>Legal Drafting</p> <p>Definitions within the <b>G<sub>t</sub></b> Term</p> <p>The company requested further engagement with UR to understand what UR’s expectation in relation to the application of the <b>G<sub>t</sub></b> Cost of Credit mechanism in the event of change of ownership.</p>	<p>We provided the company with a draft version of the <b>G<sub>t</sub></b> Cost of Credit Mechanism in advance of publication and engaged further with the company on this issue. We have provided a response to the company’s response in Chapter 4.</p>
<p>Legal Drafting</p> <p>Gt Cost of Credit Mechanism</p> <p>Power NI asked that the <b>G<sub>t</sub></b> Cost of Credit Mechanism should be amended to allow the company to recover an additional amount for the cost of availability of cash.</p>	<p>We have provided a detailed response to the company’s response on <b>G<sub>t</sub></b> Cost of Credit Mechanism in Chapter 4. We have made provision for an additional amount for the cost of availability of cash. We published the <b>G<sub>t</sub></b> Cost of Credit Mechanism on 30 June 2025.</p>

Power NI Response	UR response
<p>Legal Drafting</p> <p>Definitions within the <b>E<sub>t</sub></b> Term</p> <p>Power NI raised issues on the drafting of the proposed additional <b>E<sub>t</sub></b> terms for smart metering and digital engine. The company asked that an <b>E<sub>t</sub></b> term should be added for Supplier of Last Resort allowed costs under Condition 23.</p>	<p>We have provided a detailed response to the company's response on <b>E<sub>t</sub></b> terms in Chapter 6. We have decided that it is not necessary to amend the proposed definitions of the additional <b>E<sub>t</sub></b> terms.</p>
<p>Legal Drafting</p> <p>Licence Conditions Formula</p> <p>Power NI</p>	<p>We have provided a detailed response to the company's response on licence conditions formulae in Chapter 5. We have amended the proposed licence formulae to:</p> <ul style="list-style-type: none"> <li>• <b>MF<sub>t</sub></b> formula: amended the “average number of customers served used by Power NI in its assessment of margin” to 572,225, consistent with the calculation of margin.</li> <li>• <b>MPE<sub>t</sub></b> term: amended the structure of the definition of the market price of energy term to the simpler structure suggested by Power NI.</li> <li>• <b>CS<sub>t</sub></b> formula: amended the formula to exclude costs which are subject to specific determination in other part of the licence (the <b>E<sub>t</sub></b> term and part of the <b>A<sub>t</sub></b> term) such that these amounts are not subject to cost sharing.</li> </ul>

## Document Structure

1.20 This decision document is structured in chapters as follows:

Chapter 2	Overview of Annex 2 of Condition 55 of the Licence.
Chapter 3	Condition 55, Annex 2, Section 1 - Definitions.
Chapter 4	Condition 55, Annex 2, Section 2 – Definition of the <b>G<sub>t</sub></b> term.
Chapter 5	Condition 55, Annex 2, Section 2 – Definition of the <b>S<sub>t</sub></b> term.
Chapter 6	Condition 55, Annex 2, Section 2 – Definition of the <b>E<sub>t</sub></b> term.
Chapter 7	Condition 55, Annex 2, Section 6 - Duration of Supply Charge Restriction Conditions.
Chapter 8	Next Steps.

- 1.21 This decision document is complemented by
- a) The two responses to the consultation are included as: Annex A – Power NI's Response to the Article 14(2) Consultation; and, Annex B – CCNI's Response to the Article 14(2) Consultation.
  - b) Annex C which has two elements:
    - (i) Notice under article 14(8) of the Electricity (Northern Ireland) Order 1992 of modifications to the licence held by Power NI Energy Ltd to supply electricity.
    - (ii) A marked-up version of Condition 55, Annex 2 of the Power NI electricity supply licence consistent with the modifications, showing additions and deletions.

## 2. Overview of Condition 55, Annex 2 of the Licence

- 2.1 The structure and form of the SPC25 Price Control is defined in the supply licence of Power NI. The financial mechanisms which determine Power NI's regulated tariffs, and the revenue it is allowed to recover through those tariffs, are set out in Condition 55, Annex 2 of the Licence. At present, Power NI's maximum allowed unit price of electricity (**MS<sub>t</sub>**) for domestic customers in any given relevant year t is calculated from the formula for **MS<sub>t</sub>** below.

$$\mathbf{MS_t = G_t + U_t + S_t + KS_t + J_t + E_t - D_t}$$

- The **G<sub>t</sub>** term covers costs incurred in the purchase of electricity.
- The **U<sub>t</sub>** term covers transmission and distribution network costs.
- The **S<sub>t</sub>** term covers operating costs and margin.
- The **KS<sub>t</sub>** term covers revenue under or over-recovery in the previous year which can be collected by the business (under-recovery) or returned to consumers (over-recovery).
- The **J<sub>t</sub>** term covers the cost of the buy-out from the Northern Ireland Renewables Obligation.
- The **E<sub>t</sub>** term covers certain categories of costs defined in the Licence to be passed through to consumers.
- The **D<sub>t</sub>** term covers the sharing of any savings of costs between the Licensee and consumers in respect of costs of meeting renewables obligations and other costs specified by the Authority from time to time.

- 2.2 We are not changing the **U<sub>t</sub>**, **KS<sub>t</sub>**, **J<sub>t</sub>** or **D<sub>t</sub>** terms of the **MS<sub>t</sub>** equation. The focus of these modifications are:

- a) The **G<sub>t</sub>** term to clarify and make explicit the mechanism for recovering an amount for the actual cost of financing various collateral requirements which replaces a pre-estimate of these costs deducted from the determined margin.
- b) The **S<sub>t</sub>** term including:
  - (i) an update to the determined values for allowed opex and margin;

- (ii) the ability to vary the determined margin in respect of actual energy costs;
  - (iii) a cost sharing mechanism under which the company will retain 35% out-performance of cost over runs against the determined value of allowed opex and, pay 35% of any cost over-run.
- c) The **E<sub>t</sub>** term including:
  - (i) deletion of redundant terms;
  - (ii) addition of terms to cover possible future costs of smart metering and the development of digital services.

### 3. Condition 55, Annex 2, Section 1 - Definitions

#### Overview

- 3.1 Annex 2 of Condition 55 of the Power NI licence sets out in detail how the maximum average charge per unit supplied is calculated from the determined values, unit costs, and other amounts which are a key output of the SPC25 Price Control.
- 3.2 Section 1 of Condition 55, Annex 2 of the Power NI licence sets out the definition of certain terms necessary for the purpose of calculating the maximum average charge per unit supplied.

#### Consultation Responses

- 3.3 Within its consultation response Power NI made two comments regarding the proposed modifications to the definitions in Annex 2, Section 1 of the licence as follows:
  - a) In respect of the **KS<sub>t</sub>** term which adjusts for over / under recovery of revenue, Power NI noted that the consultation document stated that forecast values (of the **KS<sub>t</sub>** term) were replaced with actual amounts allowed under the licence. The company made the point that during a tariff change the **KS<sub>t</sub>** will include estimates relating to 13 months of market resettlement.
  - b) In respect of the reference to the amended definition of “relevant year t”: Power NI noted that the consultation document should have defined “relevant year t-1” avoid confusion. However, Power NI noted that the updates have been correctly made in the marked up version of Schedule 1, Annex 2, 1.1.
- 3.4 We note the comments on the clarity of the consultation. We have amended the text of this decision paper to clarify these issues in respect of the **KS<sub>t</sub>** term (at Paragraph 3.7). We note that the definition of “relevant year t-1” is inherent in the definition of “relevant t=year t” and no further clarification is necessary. We have concluded that this does not require any changes to the proposed licence modifications.
- 3.5 Further definitions specific to the **S<sub>t</sub>** term are addressed in Chapter 5.
- 3.6 The modifications we have decided to make to the definitions at of Annex 2 are set out in Table 3.1 below. These modifications remain unchanged from the proposals we consulted on.



**Table 3.1: Modifications to the definitions in Annex 2 Section 1**

Annex 2 Paragraph 1.1	Purpose/ Reason	Modification
Definitions	Amend “average specified rate”	In the definition of “average specified rate”: delete “Northern Bank t/a Danske Bank (or such other bank as the Authority shall specify from time to time)” and replace with “the Bank of England”
Definitions	Amend organisation name	In the definition of “European Target Model Project”: delete “Commission for Energy Regulation” and replace with “Commission for Regulation of Utilities”.
Definitions	Previous drafting error	In the definition of “excluded services”: delete “6” and replace with “5”.
Definitions	Adjust for relevant price control	In the definition of “first relevant year”: delete “2014” and replace it with “2025”.
Definitions	Adjust for relevant price control	In the definition of “relevant year”: delete “2014” and replace it with “2025”.
Definitions	Adjust for relevant price control	In the definition of “relevant year t”: delete “2014” and replace it with “2025”; and, delete “2013” and replace it with “2024”.

## Reasons for and effects of modifications to the definitions to Condition 55, Annex 2.

### Modification to the definition of the average specified rate

- 3.7 When tariffs are set for Power NI, they include forecasts of future costs which the company can recover under the terms of its licence. Over time these forecast values are replaced by actual amounts allowed under the licence through the **KS<sub>t</sub>** term of the licence which addresses past over / under recovery of revenue. During a tariff change the **KS<sub>t</sub>** term will continue to include estimates relating to 13 months of market resettlement. This term is subject to an interest rate, defined in the licence as the “average specified rate”, which reflects the cost to the company of carrying an under-recovery for a period of time, or returns the benefit of an over-recovery of revenue to consumers.
- 3.8 The average specified rate is currently defined in terms of the daily base rates of Northern Bank Limited trading as Danske Bank (or such other bank as the Authority shall specify from time to time). We are modifying the definition so that the average specified rate is based on the daily base rates of the Bank of England.

- 3.9 Our reason for changing the definition of the average specified rate is to achieve consistency over the range of licences we are responsible for. On 5 March 2021, the Financial Conduct Authority announced that most LIBOR (London Inter-Bank Offered Rate) panels would cease after 31 December 2021. At that time, we concluded that Bank of England (BoE) base rate was the most appropriate, accessible and straightforward replacement for LIBOR. We are confident that the longevity of the Bank of England base rate makes it more appropriate than local bank interest rates referenced in some licences we are responsible for. Therefore, we have begun to replace references to local bank interest rates in licences when we are making other modifications.
- 3.10 Because Danske Bank base rates have followed Bank of England base rates closely, there is no substantive effect of this change.

### **Modifications to amend organisation names**

- 3.11 We are modifying the definition of “European Target Model” to reflect the change of name of the Commission for Energy Regulation to the Commission for Regulation of Utilities. This change of name has no effect on the substance or operation of the licence.

### **Modifications to correct errors in previous drafting**

- 3.12 We are modifying the definition of “excluded services” to properly refer to Paragraph 5 of Annex 2. The reason for and effect of this is to correct a drafting error in the current licence.

### **Modifications to adjust for the relevant price control period.**

- 3.13 We are modifying the definitions of “first relevant year”, “relevant year” and “relevant year t-1” to replace the date of 1 April 2014 with 1 April 2025.
- 3.14 The reason for and effect of these changes is to amend the licence and the calculation of the maximum average charge per unit supplied to reflect the start of this price control period.

## 4. Condition 55, Annex 2 Section 2 – Definition of the $G_t$ term

### Overview

- 4.1 Annex 2 of Condition 55 of the Power NI licence sets out in detail how the maximum average charge per unit supplied ( $MS_t$  term) is calculated from the determined values, unit costs, and other amounts which are a key output the SPC25 Price Control. The equation for calculating the  $MS_t$  term is described in Chapter 2 above. Within this equation, the  $G_t$  term covers a range of costs incurred in the purchase of electricity including, but not limited to energy (SMP) charges, capacity charges, imperfections charges, currency exposure costs, market operator charges, contracts for differences and associated costs, de minimis generation export arrangement costs, NFFO generation purchases, and amounts payable to the “Eco Energy Tariff Trust Fund”) for the purchase of electricity (measured on an accruals basis).
- 4.2 In the most recent Power NI price control, an amount was deducted from the determined margin to reflect the actual cost of various collateral requirements of energy markets, network costs, hedging and foreign exchange costs. Then, when tariffs were set, an amount was included to reflect the forecast and, eventually, actual costs of funding this collateral. This has the advantage of reducing the risk to consumer and company in respect of movements in the actual cost of collateral requirements necessary to purchase and supply energy.
- 4.3 In our consultation on licence modifications, we proposed to clarify and make explicit the mechanism for recovering actual collateral costs through the  $G_t$  term of the licence. The proposed modification defined the mechanism by making reference to the principles set out in a methodology entitled “Power NI Supply Price Control  $G_t$  Cost of Credit Mechanism” which will describe how the mechanism will function. A draft of these principles was included in the SPC25 Final Determination beginning at Paragraph 5.80. In the consultation on licence modifications, we clarified that we were consulting on a draft methodology with Power NI, and other interested parties generally, as an associated part of the consultation on licence modifications under Article 14 of the Electricity Order.

### Consultation responses

- 4.4 Within the consultation Power NI made two comments regarding the  $G_t$  term and these were as follows:

- a) Power NI sought further engagement with UR to understand what UR's expectation is in relation to the implementation of the **G<sub>t</sub>** Cost of Credit Mechanism and what can be facilitated in respect of following text quoted from the consultation document "In the event that Power NI's circumstances were to change, due to a change of ownership or any other reasons, and the business were to face a different market reality"
- b) Power NI is of the view that the **G<sub>t</sub>** Cost of Credit mechanism proposed by UR fails to consider the cost of cash facilities available and not utilised, noting that the current drafting only covers the cost of cash facilities utilised and therefore an amendment is required.

4.5 In summary, our response to the issues raised by the company is:

- a) We have discussed our expectations in relation to the **G<sub>t</sub>** Cost of Credit Mechanism and undertaken further engagement with the company with respect to "the event that Power NI's circumstances were to change, due to a change of ownership or any other reasons, and the business were to face a different market reality" The text quoted by Power NI is taken from the decision paper where we set out our reasons for codifying the **G<sub>t</sub>** Cost of Credit Mechanism in the licence. It is not part of the licence definition of the **G<sub>t</sub>** term itself. The **G<sub>t</sub>** Cost of Credit Mechanism shows how the **G<sub>t</sub>** term will be calculated to reflect the actual cost of specified items of credit / collateral posted by the company. It allows this amount to vary as actual conditions change, including a change of ownership which might impact how it funds collateral. The mechanism is designed to allow the company to recover the actual cost of certain credit / collateral arrangements at cost, removing the risk to the company of changes in the type, quantum and cost of these collateral requirements. As noted in the consultation, this includes changes which might arise from "change of ownership or any other reasons, and the business were to face a different market reality". We consider the mechanism does not require any further explanation or anticipation of possible future events including change of ownership.

- b) Our determination of the margin includes an allowance for £16.1m of cash collateral (in October 2023 prices) for items which fall under the scope of the **G<sub>t</sub>** Cost of Credit Mechanism. This amount of cash collateral was valued in the margin at a full nominal cost of equity of 10.5%. The **G<sub>t</sub>** Cost of Credit Mechanism allows the company to recover additional financing costs on the amount of funding costs if the amount of cash collateral employed exceeds this amount. The **G<sub>t</sub>** Cost of Credit Mechanism makes provision for this additional cash collateral to be remunerated at a cost of interest paid.
- c) At the time of the final determination the company asked UR to confirm that this part of the mechanism would apply to additional amounts and would not result in a negative adjustment if the amount of cash collateral was less than the relevant amount allowed in the final determination. We confirm that this is the case and note that the deduction of £1.7m in the calculation of margin, which will be replaced by the amount calculated from the **G<sub>t</sub>** Cost of Credit Mechanism, does not include any adjustment for cash collateral, whether cash used or cash available. In our view the remuneration of cash collateral in the margin at a full cost of equity makes adequate provision for the company to both secure the availability of cash and the posting of cash.
- d) In addition, the determined margin includes an additional amount which provides some headroom consistent with the principle UR has applied in previous supply price control reviews for a layer of standby risk capital that would ensure that Power NI is capable of remunerating investors ex-ante for making long term commitments to the business. It makes provision for the possibility that capital requirements will exceed the level identified by Power NI within year, between years or in the event of unforeseen changes in circumstances including changes in the way that different components of the capital requirement must be financed.
- e) In view of the facts outlined above (that the margin includes a provision for an amount of cash remunerated at a cost of equity, there is already headroom in the determined margin, and the **G<sub>t</sub>** Cost of Credit Mechanism does not allow a negative amount) we consider that the company has an adequate cover for cash collateral and it is not appropriate to introduce a separate amount for availability of cash generally. We have adjusted the mechanisms to remunerate the cost of availability of the additional amount of cash posted as collateral which is remunerated through the **G<sub>t</sub>** Cost of Credit Mechanism.

- 4.6 The modifications we have decided to make to the definition of the  $G_t$  term ( $G_t$  Cost of Credit Mechanism) are set out in Table 4.1 below. These modifications remain unchanged from the proposals we consulted on.

**Table 4.1: Modifications to the  $G_t$  term**

Annex 2, Paragraph 2 definition of $G_t$ term	Purpose / reason	Modifications
Definition of $G_t$	To clarify and make explicit the mechanism for recovering actual collateral costs	After the first part of sub-paragraph (a) of the definition of the $G_t$ term insert new sub-paragraph (b) as follows: “adding an amount equal to that approved by the Authority, in accordance with the principles set out in a methodology entitled “Power NI Supply Price Control $G_t$ Cost of Credit Mechanism” published on 30 June 2025, as representing the deemed costs of credit cover in relevant year $t$ that would not otherwise be recoverable by the Licensee under any other provision of this Annex 2;”
Definition of $G_t$	Restructure existing sub-paragraphs	Rename the second part of sub-paragraph (a) of the definition of the $G_t$ term as sub-paragraph ‘(c)’.
Definition of $G_t$	Restructure existing sub-paragraphs	Rename the sub-paragraph (b) of the definition of the $G_t$ term as ‘(d)’.

- 4.7 In addition to modifying the licence in this way, we are publishing a methodology entitled “Power NI Supply Price Control  $G_t$  Cost of Credit Mechanism” on 30 June 2025. We have amended the mechanism from that consulted on to:
- Confirm that the treatment of amounts relating to cash collateral will not result in a negative amount.
  - Confirm that the interest rate applied to the amount of cash collateral posted by the licensee which is greater than the amount of cash collateral assumed in the final determination, will include the cost of availability of that amount of cash.

## Reasons for and effects of modifying the definition of the $G_t$ term

### Modification of the $G_t$ term in respect of cost of collateral

- 4.8 In the determination of margin, we have deducted an amount which reflects a pre-estimate of the actual cost of credit to fund collateral requirements of energy markets, network costs, energy price hedging and foreign exchange costs. When tariffs are set, an amount is included to reflect the forecast and, eventually, actual costs of funding this collateral.
- 4.9 We have modified the definition of the  $G_t$  term to clarify and make explicit the mechanism for recovering actual collateral costs.
- 4.10 The modification defines the mechanism by making reference to the principles set out in a methodology entitled “Power NI Supply Price Control  $G_t$  Cost of Credit Mechanism” which will describe how the mechanism will function. These principles are being published as a methodology entitled “Power NI Supply Price Control  $G_t$  Cost of Credit Mechanism” on 30 June 2025.
- 4.11 Our reasons for the modification are:
- a) Our economic consultant, in its review of Power NI’s response to the SPC25 Draft Determination, stated that:
 

“In the event that Power NI’s circumstances were to change, due to a change of ownership or any other reason, and the business were to face a different market reality, we have suggested that UR should provide scope for Power NI to make a claim for the costs of any additional collateral that it may have to post under the  $G_t$  term. We continue to consider that this is the best way of dealing with possible alternative states of the world that Power NI may or may not encounter.”
  - b) The deduction of a pre-estimate of various collateral costs from the determined margin and the inclusion of an amount for actual collateral costs when tariffs are set, address this point. This allows for changes in the total quantum of collateral, change in quantum of individual types of collateral and changes in the actual cost of collateral which might change over time.
  - c) The modification clarifies how this element of cost recovery will be calculated in the SPC25 period and makes this an explicit part of the licence.

- d) The purpose of these changes is to codify and therefore ensure the transparency of the historical approach to costs recoverable under the **G<sub>t</sub>** term and ensure that it is applied in future in a way which is consistent with the final determination, rather than to introduce anything substantively new.
- 4.12 The effect of the modification is to clarify how this part of cost recovery will work in the future and make this an explicit part of the licence.



## 5. Condition 55, Annex 2, Section 2 - Definition of the $S_t$ term

- 5.1 Annex 2 of the Power NI licence sets out in detail how the maximum average charge per unit supplied ( **$MS_t$**  term) is calculated from the determined values, unit costs, and other amounts which are a key output of the SPC25 Price Control. The equation for calculating the  **$MS_t$**  term is described in Chapter 2 above. Within this equation, the  **$S_t$**  term covers the determination of an amount in respect of operating and other costs and margin which will be recovered by the company.
- 5.2 Section 2 of Annex 2 of Condition 55 of the Power NI licence sets out the definition of the  **$S_t$**  term with supporting formulae and definitions which underpin the calculation of the  **$S_t$**  amount. We are modifying these definitions as set out in Table 5.1 below.
- 5.3 In addition to updating the licence to reflect financial amounts determined in the final determination, the primary purpose of these changes is to introduce two mechanisms which:
- a) Vary the margin recovered by the company to reflect changes in the market price of energy as well as the number of customers served.
  - b) Share cost out-performance or overruns against the determined financial amounts between the company and consumers.

### Consultation responses

- 5.4 Power NI made 12 comments in its response to the licence consultation on the  **$S_t$**  term which referred to both the definitions of particular terms relating to the  **$S_t$**  term and specific parts of the associated formulae.
- 5.5 With regard to the definitions of particular terms relating to the  **$S_t$**  term, Power NI asked for the following additions and amendments to the proposed licence modifications:
- a) Harmonisation of various terms referring to the “price of energy” the “price of electricity”, the actual cost of energy and the “actual cost of power”. In this decision, we have used ‘electricity’ as a consistent term.
  - b) Confirmation that DAM means Day Ahead Market. In this decision we have added a definition of the Day Ahead Market (DAM) for the purpose of the  **$MF_t$**  term.

- c) A definition of the term “hedged” price which it considered generic and unclear. A definition of the electricity hedged price has been included in this decision.
- d) Clarification of the **SC<sub>t</sub>** term to read “as at the end of 30 September in relevant year t”. This point has been clarified in this decision.
- e) A restatement of the conditions detailed in the **MPE<sub>t</sub>** formula in terms of which price of energy should be used should be listed as three statements separated by ‘or’. We have accepted the wording proposed by the company which provides a simpler statement of the condition without changing its effect.

5.6 Power NI made comments on the particular licence formulae proposed to modify the margin as tariffs are determined and asked for the proposed equations to be modified as follows:

- a) The **MF<sub>t</sub>** term contains a formula for modifying the determined margin on the value based on the number of supply customers (the **SC<sub>t</sub>** term). The company asked that the determined value (a denominator in the equation) should be amended from 576,498 in our final determination to 572,225 based on the average number of supply customers it used to determine its margin in the Business Plan submission. Having reviewed the Business Plan submission, and noted that the company provided different estimates for supply customers in different parts, we have concluded that the number proposed by the company is consistent with our determination of margin. We have modified the equation accordingly.
- b) In respect of the formula for the cost sharing mechanism (the **CS<sub>t</sub>** term), the company submitted that:
  - (i) part (b)<sup>7</sup> of the **A<sub>t</sub>** term should not be included in the cost sharing mechanism as it is an agreed disallowance derived from an amount per Republic of Ireland customer using the billing system.

<sup>7</sup> **A<sub>t</sub>(b)** is the second part of the **A<sub>t</sub>** term of the licence which allocates part of the general cost allowance for commercial and domestic activities (the **Pf** term) to customers on the Licensee’s customer billing system for which the Licensee is not a Regulator Supplier within the terms of the licence.

- (ii) the value of the **E<sub>t</sub>** terms for additional costs (the **EX<sub>t</sub>** term) should be removed from the sharing mechanism on the basis that **E<sub>t</sub>** allowance and costs are the same and costs will not be derived from allowances. Similarly, Power NI proposed that the **AO<sub>t</sub>** term (covering actual opex and other costs) should only include **E<sub>t</sub>** allowances with a subsequent disallowance.
- (iii) all **E<sub>t</sub>** terms should not be included in the disallowance calculation as some **E<sub>t</sub>** elements, e.g., CC&B Billing Upgrade Costs have a disallowance applied from the outset. Power NI suggested that to include these would result in a double disallowance.

5.7 We note that the proposed formula for the **CS<sub>t</sub>** term was set out in the draft determination and was not commented on by the company at that time. However, we note the principle underpinning the company's comments. That is, that some of the items included in the formulae we proposed for cost sharing would cut across the determination of allocations of costs to the commercial and other activities which have already been defined in the licence. The result of this would be to allocate a share of any cost over-run or saving to those defined amounts. In light of this, we have agreed with the company's proposition that these items should be excluded from the cost sharing mechanism and we have amended the formulae for the cost sharing amount accordingly. The effect of this amendment to our original proposal is to focus the cost share amount on the regulated supply business. As a result, the share of any out-performance flowing to domestic consumers and the share of any over-spend flowing to the regulated domestic consumers will increase.

**Table 5.1: Modifications to the S<sub>t</sub> term**

Annex 2, Paragraph 2 definition of S <sub>t</sub> term	Purpose / reason	Modifications
Definition of <b>S<sub>t</sub></b>	Modify the <b>S<sub>t</sub></b> equation	In the definition of the S <sub>t</sub> term, delete the current formula and replace it with the formula: <b><math>S_t = (100 * (((P_f - A_t) + (P_v * M F_t)) * P I_t) - C S_t) / Q S_t</math></b>
Definition of <b>P<sub>f</sub></b>	Modify the P <sub>f</sub> term	In the definition of the <b>P<sub>f</sub></b> term, delete £26,060,166 and replace it with <b>£41,138,951</b> .
Definition of <b>A<sub>t</sub></b>	Modify the <b>A<sub>t</sub></b> term	In the definition of the <b>A<sub>t</sub></b> term, sub-paragraph (a), delete £5.696 million in two places and replace with <b>£7,889,751</b> .

Annex 2, Paragraph 2 definition of $S_t$ term	Purpose / reason	Modifications
Definition of $A_t$	Modify the $A_t$ term	In the definition of the $A_t$ term, sub-paragraph (b), delete £6.59 and replace with <b>£7.11</b> .
Definition of $A_t$	Modify the $A_t$ term	In the definition of the $A_t$ term, sub paragraph (b), at the end of the paragraph, add “or such other amount as reasonably determined by the Authority in October 2023 prices.”
New term	Insert a new $P_v$ term	Following the definition of the $A_t$ term, insert the definition of the new $P_v$ term as:  <b><math>P_v</math></b> means <b>£15,300,000</b>

Annex 2, Paragraph 2 definition of S <sub>t</sub> term	Purpose / reason	Modifications
New term	Insert a new <b>MF<sub>t</sub></b> term	<p>Following the definition of the Pv term, insert the definition of the new <b>MF<sub>t</sub></b> term as:</p> <p><b>“MF<sub>t</sub></b> means an amount derived from the following formula:</p> $\mathbf{MF_t = \frac{SC_t}{572,225} * \left( 0.25 + 0.75 * \frac{MPE_t}{139} \right)}$ <p>where:</p> <p><b>SC<sub>t</sub></b> means the number of supply customers as at the end of 30th September in relevant year t, determined in such manner as the Authority shall specify from time to time by notice to the Licensee.</p> <p><b>MPE<sub>t</sub></b>, expressed in £ per MW hour, means the greater of:</p> <ol style="list-style-type: none"> <li>the market price for electricity in £/MWh in relevant year t in October 2023 prices being the higher of the demand weight average rate of energy price hedged in the year; or</li> <li>the highest average price of electricity in the Day Ahead Market (DAM) for the relevant year (being the highest of the demand weighted average price of energy in the DAM in Q1, Q2, Q3 and Q4 of relevant year t); or</li> <li>£90 per MW hour.”</li> </ol> <p><b>DAM<sup>8</sup></b> means the Day Ahead Market being the single pan-European energy trading platform in the ex-ante timeframe for scheduling bids and offers and interconnector flows across participating regions of Europe.</p> <p>Average rate of electricity price hedged in the year means: the demand weighted average price paid by the supplier at which it fixes the price of energy on a forward basis at a fixed price during relevant year t in relation to volumes hedged during the year.</p> <p>Average price of energy in the DAM in a quarter means the demand weighted actual DAM costs paid in a quarter divided by the volume traded in the DAM in the corresponding quarter.</p>

<sup>8</sup> <https://www.sem-o.com/sites/semo/files/documents/general-publications/I-SEM-Industry-Guide.pdf>

Annex 2, Paragraph 2 definition of $S_t$ term	Purpose / reason	Modifications
Definition of $PI_t$	Modify the inflation equation	In the definition of the $PI_t$ term, delete the current formula and subsequent text and replace it with the formula: $PI_t = CPIH_t / CPIH_{t=2024}$
Definition of $CPIH_t$	Modify the inflation equation	In the definition of the $CPIH_t$ term, delete the text of the definition and replace it with: “means the Consumer Prices Index including owner occupiers’ housing costs (L522: 2015 = 100) published by the Office for National Statistics (or successor body) for the October month in each relevant year t and is therefore to be read such that: a reference to ‘ $CPIH_{t=2026}$ ’ is the CPIH figure for October 2025”
Redundant term	Delete redundant term	Delete the definition of the $C_t$ term.
Redundant term	Delete redundant term	Delete the definition of the $P_c$ term
New term	Introduce cost sharing mechanism	<p>Following the definition of the <math>CPIH_t</math> term, insert the definition of the cost sharing mechanism in the new <math>MF_t</math> term as:</p> <p><math>CS_t</math> means an amount derived from the following equation:</p> $CS_t = 0.65 * ((Pf - A_t(b)) * PI_t - (AO_t - A_t(b) - EX_t - EC_t)) * \left(1 - \frac{A_t(a)}{(Pf) - A_t(b)}\right)$ <p>where:</p> <p><math>A_t(b)</math> means the amount determined from the second part of the <math>A_t</math> term of the licence which allocates part of the general cost allowance for commercial and domestic activities (the <math>Pf</math> term) to customers on the Licensee’s customer billing system who are not supply customers within the terms of the licence.</p> <p><math>AO_t</math> means the actual operation cost and other costs in nominal terms incurred by the Licensee which fall within the categories of costs in the <math>Pf</math> term and the <math>E_t</math> term to the extent that they are not recovered under any other part of the licence or any other licence;</p> <p><math>EX_t</math> means an amount derived from the following equation:</p> $EX_t = E_t * QS_t / 100$

Annex 2, Paragraph 2 definition of $S_t$ term	Purpose / reason	Modifications
New term	Introduce cost sharing mechanism (continued)	<p><b>EC<sub>t</sub></b> means the sum of the total additional costs included in the <b>AO<sub>t</sub></b> amount used to calculate <b>E<sub>t</sub></b> term which were not allocated to the <b>E<sub>t</sub></b> term because they were not relevant to the company's domestic activities.</p> <p><b>A<sub>t</sub>(a)</b> means the amount determined from first part of the <b>A<sub>t</sub></b> term of the licence which allocates part of the general cost allowance for commercial and domestic activities (the <b>Pf</b> term) to the commercial activities undertaken by the company.</p>

## Reasons for and effects of modifying the definition of the $S_t$ term

- 5.8 The various definitions and formulae for the **S<sub>t</sub>** term are used to calculate a maximum average charge in pence per unit supplied to supply customers at regulated premises. This charge represents the operational cost and other costs and margin which the company is allowed to recover as set out in the final determination.

### Modification of the $S_t$ term

- 5.9 We are deleting the formula for the **S<sub>t</sub>** term in the current licence and replace it with the formula:

$$S_t = (100 * (((Pf - A_t) + (Pv * MF_t)) * Pl_t) - CS_t) / QS_t$$

Where:

- 100** is a conversion factor to convert input values in pounds to pence per kilowatt hour;
- Pf** term is a financial amount which is the average of the determined amount of operating and other costs set out in the final determination.
- A<sub>t</sub>** term is a financial amount deducted from the **Pf** term to represent the costs attributed to Power NI's non-regulated business activities;
- Pv** term is a financial amount which is the average determined amount of margin recovered by Power NI;

<b>MF<sub>t</sub></b> term	is a factor which varies the margin recovered to reflect changes in the number of customers and the market price of energy;
<b>PI<sub>t</sub></b> term	is an inflation adjustment factor which adjusts financial amounts determined in October 23 prices to nominal prices for the relevant year;
<b>CS<sub>t</sub></b> term	is a financial amount which represents a sharing between Power NI and consumers of any out-performance or overspend by Power NI against the determined values; and,
<b>QS<sub>t</sub></b> term	is the quantify of units supplied.

- 5.10 We have reordered the sections of the licence which defined these terms to reflect the order of the terms in the equation for the **S<sub>t</sub>** term.

#### Modifications to the **Pf** term

- 5.11 We are modifying the value of the **Pf** term to £41,138,951.
- 5.12 The reasons for and effects of this change are to amend the amount to the average of the determined operating and other costs set out in the final determination in October 2023 prices. This determined amount includes an allowance for certain lines of depreciation and costs which will be recharged or recovered by Power NI when it uses its systems in other non-regulated activities.

#### Modifications to the **A<sub>t</sub>** term

- 5.13 We are modifying the financial amount in sub-paragraph (a) of the definition of the **A<sub>t</sub>** term from £5.696 million to £7,889,751 to reflect the amount determined for the 2023/24 financial year converted to October 2023 prices, as is necessary for the proper application of the equations above. This provides a pre-determined figure which will allow the term to have effect if a figure is not determined for the relevant year, as described below.
- 5.14 The intention continues to be to use an amount for the **A<sub>t</sub>** term as reasonably determined by the Authority using the same methodology used to arrive at the amount of £7,889,751 or such other methodology as approved by the Authority. We are modifying the wording of this definition in the licence to state that any determined amount will be in October 2023 prices, which is necessary for the proper application of the **PI<sub>t</sub>** inflation adjustment term in the equation for the **S<sub>t</sub>** term.



- 5.15 We are modifying the financial amount in sub-paragraph (b) of the definition of the **A<sub>t</sub>** term from £6.59 to £7.11 or, such other amount as reasonably determined by the Authority to reflect changes in cost following the implementation of a systems and investment by Power NI. This term of the licence provides for an allocation of costs incurred by Power NI in respect of its customer billing system between persons in relation to whom the Licensee is the Registered Supplier and those who are not.
- 5.16 The reasons for and effects of the modifications are:
- a) To rebase the determined amount in the licence to October 2023 prices.
  - b) To allow for variation of the determined amount in sub-paragraph (b) for use of the company's customer billing system to be varied to reflect further investment.

#### Modifications to introduce the **P<sub>v</sub>** term

- 5.17 We are introducing a **P<sub>v</sub>** term which is the determined value of the margin the company can recover through the maximum average charge per unit supplied.
- 5.18 For the reasons set out in the final determination, the value of the **P<sub>v</sub>** term is £15,300,000. This amount has been determined in October 2023 prices and is then adjusted for inflation in the modified equation for the **S<sub>t</sub>** term when tariffs are set. The determined amount relates to the regulated (domestic) supply business and is not subject to adjustment through the **A<sub>t</sub>** term.
- 5.19 The effect of this modification is to secure Power NI's ability to recover the determined margin set out in the final determination through the maximum average charge per unit supplied, subject to the variation mechanisms included in the licence.

#### Modifications to introduce the **MF<sub>t</sub>** term

- 5.20 We are introducing an **MF<sub>t</sub>** term which varies the amount of margin the company can recover through the maximum average charge per unit supplied to reflect changes in the number of customers and the market price of energy from those assumed when the **P<sub>v</sub>** term was determined.

- 5.21 For reasons set out in the final determination, we are introducing a formula for the **MF<sub>t</sub>** term as follows:

$$\mathbf{MF}_t = \frac{\mathbf{SC}_t}{572,225} * \left( 0.25 + 0.75 * \frac{\mathbf{MPE}_t}{139} \right)$$

Where

**SC<sub>t</sub>** means the number of supply customers at the end of 30<sup>th</sup> September in relevant year t, determined in such manner as the Authority shall specify from time to time by notice to the Licensee.

**MPE<sub>t</sub>** expressed in £ per MW hour, means the greater of:

- a. the market price for electricity in £/MWh in relevant year t in October 2023 prices being the higher of the demand weight average rate of energy price hedged in the year;
- or
- b. the highest average price of electricity in the Day Ahead Market (DAM) for the relevant year (being the highest of the demand weighted average price of energy in the DAM in Q1, Q2, Q3 and Q4 of relevant year t);
- or
- c. £90 per MW hour.

- 5.22 In this equation:

- a) A 'supply customer' in the definition of the **SC<sub>t</sub>** term is defined in the licence as a person who receives a supply of electricity from the Licensee at regulated premises. The divisor for the **SC<sub>t</sub>** term is the average number of such customers used by Power NI and UR in the assessment of margin for the SPC25 Final Determination.
- b) The divisor for the **MPE<sub>t</sub>** term is the average market price of energy used by Power NI and UR in the assessment of margin for the SPC25 Final Determination, converted to October 2023 prices.
- c) Placing a minimum value of £90 per MW hour on **MPE<sub>t</sub>** will place a floor on the average margin over the price control similar to that received by the company from the variable element of the margin in 2023/24 provided the number of customers remains at the same level used to calculate the determined value of **Pv**.

- d) The **MPE<sub>t</sub>** term has been split into three or statements as only one condition can be used in the equation and can be true at the time that the **MPE<sub>t</sub>** term falls to be calculated. The effect of differentiating the three or statements is to provide clarity.
  - e) Definitions for price of energy, DAM, hedged, Average rate of energy price hedged and average price of energy in the DAM have been included in this **MPE<sub>t</sub>** term for the avoidance of doubt. The effect will be to provide clarity in the operation of the equation.
- 5.23 The effect of the modification is to vary the amount of margin the company can recover through the maximum average charge per unit supplied to reflect changes in the number of customers and the market price of energy from those assumed when the **P<sub>v</sub>** term was determined, as set out in the final determination.
- 5.24 As a result of this modification, the terms in the current licence for **C<sub>t</sub>** (number of customers) and **P<sub>c</sub>** (variable amount in the current **S<sub>t</sub>** term) become redundant. We are deleting the definitions of these terms from the licence.

### Modifications to the **PI<sub>t</sub>** term

- 5.25 The **PI<sub>t</sub>** term in the equation for **S<sub>t</sub>** adjusts the financial amounts determined in the final determination (stated in October 2023 prices) to the nominal prices for the relevant year *t*. It secures the ability of the company to recover revenue in nominal terms consistent with the final determination, using CPIH as a general measure of inflation.
- 5.26 We have decided to delete the current formula from the definition of the **PI<sub>t</sub>** term licence and replace it with the following equation.

$$\mathbf{PI_t = CPIH_t / CPIH_{t=2024}}$$

- 5.27 We have decided to delete the definition of the **CPIH<sub>t</sub>** term from the existing licence and replace it with the following definition:

**CPIH<sub>t</sub>** means the Consumer Prices Index including owner occupiers' housing costs (L522: 2015 = 100) published by the Office for National Statistics (or successor body) for the October month in each relevant year *t* and is therefore to be read such that: a reference to '**CPIH<sub>t=2026</sub>**' is the CPIH figure for October 2025.

- 5.28 The reason for changing this equation and associated definition is to allow the **PI<sub>t</sub>** term to be calculated as a ratio of indices, consistent with the revised equations for the **S<sub>t</sub>** term, and anchor the inflation adjustment to

October 2024 prices, consistent with the final determination. It has no effect on the operation of the licence.

### Modifications to introduce the CSt term

- 5.29 For reasons set out in the final determination, we are introducing a cost sharing mechanism which allows any out-performance or overspend by Power NI against the determined values to be shared between Power NI and consumers. This cost sharing mechanism will allow Power NI to retain 35% of any out-performance against determined cost values, but pay 35% of any cost overrun against determined cost values. Conversely, 65% of any saving will be returned to consumers and consumers will bear 65% of any cost overruns against determined cost values.
- 5.30 In the consultation on licence modifications, we proposed an equation to define the cost saving amount (the **CSt** term) such that:

**CSt** means an amount derived from the following equation:

$$\mathbf{CSt} = 0.65 * ((\mathbf{Pf} * \mathbf{Pl}_t + \mathbf{EX}_t) - \mathbf{AO}_t) * \left(1 - \frac{\mathbf{A}_t}{(\mathbf{Pf} + \mathbf{EX}_t / \mathbf{Pl}_t)}\right)$$

We included definitions of the individual terms of the equation.

- 5.31 In response to the consultation, Power NI noted that the proposed calculation of the cost sharing term would distribute part of the net cost over-runs or out-performance to amounts which were defined in other parts of the licence, thus altering the amounts determined by those licence terms. In particular, the company suggested that:
- a) **CSt** formula: **A<sub>t</sub> (b)**<sup>9</sup> should be excluded from the **A<sub>t</sub>** calculation as this will ultimately be an agreed disallowance and therefore should not form part of any cost sharing mechanism. The calculation to derive a cost per customer using Power NI's billing system is agreed as a step following the upgrade of the billing system and therefore should not be included as part of the cost sharing formula.

<sup>9</sup> **A<sub>t</sub>(b)** is the second part of the **A<sub>t</sub>** term of the licence which allocates part of the general cost allowance for commercial and domestic activities (the **Pf** term) to customers on the Licensee's customer billing system for which the Licensee is not a Regulator Supplier within the terms of the licence.

- b) **CS<sub>t</sub>** formula: **EX<sub>t</sub>** has been included in the calculation for allowances to be compared against actual costs, with **AO<sub>t</sub>** including actual costs in respect of **EX<sub>t</sub>**. Power NI believe that **EX<sub>t</sub>** should be removed from the sharing mechanism on this basis that **EX<sub>t</sub>** allowances and costs are the same and costs will not deviate from allowances. Likewise, **AO<sub>t</sub>** should not include all **EX<sub>t</sub>** costs and should only include allowances with a subsequent disallowance. Whilst UR had been of the view that the inclusion or exclusion of **EX<sub>t</sub>** in allowances and costs would not have an impact on the output of the formula, Power NI do not agree that this is in fact the case.
- c) At formula: All **E<sub>t</sub>** costs should not be included in the disallowance calculation as the **E<sub>t</sub>** cost components (such as billing upgrade costs) have a disallowance applied from the outset (i.e. at the time cost recovery is agreed), therefore, to include in this calculation would result in double disallowances.

5.32 Having given careful consideration to the points raised by the company, we agree that the way we proposed to define the **CS<sub>t</sub>** term in the consultation would have allocated cost over-runs or out-performance to terms which have been specifically defined in the licence. To ensure that this is not the case, we have, following further engagement with the company, decided to modify the licence by inserting the following definition:

**CS<sub>t</sub>** means an amount derived from the following equation:

$$\mathbf{CS_t = 0.65 * ((Pf - A_t(b)) * Pl_t - (AO_t - A_t(b) - EX_t - EC_t)) * \left(1 - \frac{A_t(b)}{(Pf) - A_t(a)}\right)}$$

5.33 In addition to describing the terms of this equation and its reasons and effects below, we also provided the company with a spreadsheets which demonstrates how this equation would work in practice.

5.34 The output from the equation is a nominal amount for relevant year t, positive or negative, to be deducted in the equation for the **S<sub>t</sub>** term above, which would otherwise calculate the **S<sub>t</sub>** term from determined financial values without cost sharing. The main components of this equation and their effects are:

- a) The factor 0.65 is the share returned to, or paid by, consumers.

- b) The component  $(Pf - A_t(b)) * PI_t$ , calculates the determined allowance for the domestic and commercial business (which excludes the  $E_t$  term amounts). By deducting the  $A_t(b)$  term, an amount defined separately in the licence, the amount considered is reduced to the amount relevant to supplies for which Power NI is the Regulated Supplier. Multiplying by the  $PI_t$  term converts the amount to nominal terms.
- c) The component  $(AO_t - A_t(b) - EX_t - EC_t)$  calculates the actual operational and other costs incurred net of specific items which are established through specific terms of the licence where:
- (i)  $AO_t$  is the actual operational and other costs incurred consistent with the scope of the  $Pf$  and  $E_t$  terms.
  - (ii)  $A_t(b)$  is the second part of the  $A_t$  term of the licence which allocates part of the general cost allowance for commercial and domestic activities (the  $Pf$  term) to customers on the Licensee's customer billing system for which the Licensee is not a Regulator Supplier within the terms of the licence.
  - (iii)  $EX_t$  is the sum of additional costs used the calculate  $E_t$  term, net of any additional costs included in  $AO_t$  which were not allocated to the  $E_t$  term because they were not relevant to the companies domestic activities.
  - (iv)  $EC_t$  is sum of additional costs included in the  $AO_t$  amount used the calculate the  $E_t$  term which were not allocated to the  $E_t$  term because they were not relevant to the company's domestic activities.
- d) The final part of the equation:

$$\left(1 - \frac{A_t(b)}{(Pf) - A_t(a)}\right)$$

Is an allocation factor which distributes any outperformance or cost over-run between the domestic and commercial activities of the company. Only the proportion of any out-performance or cost over-run allocated to the company's domestic activities are taken account of in the cost sharing mechanism.

In this part of the equation, the  $A_t(a)$  term is the amount calculated from the first part of the  $A_t$  term as defined in the licence.

- 5.35 If the difference between the two terms above is positive, (that is determined allowances exceed actual expenditure resulting in a cost

saving), 65% of the saving will be deducted in the equation for  $S_t$ , returning 65% of the saving to consumers.

- 5.36 If the difference between the two terms above is negative, (that is determined allowances exceed actual expenditure resulting in a cost over-run), 65% of the saving will be added in the equation for  $S_t$ , meaning that consumers will pay for 65% of a cost over-run.
- 5.37 The effect of the  $CS_t$  term, which forms part of the modified definition to the  $S_t$  term, is to share the risk and benefits of cost savings and cost over-runs between the company and consumers.

## 6. Condition 55, Annex 2, Section 2 – Definition of the $E_t$ term

### Introduction

- 6.1 The licence formula for the maximum allowed unit price of electricity ( $MS_t$ ), which is described above beginning at Paragraph 5, includes the  $E_t$  term covering certain categories of costs defined in the licence to be passed through to customers.
- 6.2 Within the current licence the  $E_t$  term means the allowed charge in pence per unit supplied in relevant year  $t$  derived by aggregating the costs referred to in paragraphs (a) – (m) and dividing the resulting amount by the quantity supplied in relevant year  $t$ .
- 6.3 As part of the price control, we have reviewed the scope of the pass-through costs and have considered whether to retain, amend, delete existing terms or add additional terms.

### Consultation response

- 6.4 In summary, Power NI's made the following comments on the proposed licence modifications in respect of the  $E_t$  term: :
- a) Power NI welcomed the introduction of additional terms for cost recovery in respect of 'smart metering' and 'digital engine'.
  - b) Power NI made a number of specific points in respect of the definition of the  $E_t$  term in respect of smart metering:
    - (i) The company stated that, the programme is much more than an IT project, it will require up and down stream developments, design engagement, piloting and extensive communication programmes.
    - (ii) The company stated that, it is important that the drafting of the required  $E_t$  Term therefore allows for Power NI's active engagement with the overall smart metering programme, utilising its knowledge and experience to help shape and design the deliverable and not be limited to recovery of post design implementation costs.



- (iii) The company expressed concern that the scope of smart metering work was defined in the context of “clearly in pursuit of a Ministerial policy decision”, suggesting that this may entail a higher scrutiny of UR and how this might restrict cost recovery. The company asked that “clearly” should be replaced with “reasonably”.
  - (iv) The company noted that, it would be helpful if UR could provide some clarity on what the Utility Regulator would consider “sufficiently material and [has] been justified [in a submission to the Authority which is in such format and contains such information as may be specified by the Authority for that purpose]” and what information UR would expect to receive in respect to these costs.
  - (v) The company noted that, it is also important that UR recognise that the Department for the Economy Policy Paper in relation to smart Metering indicated SMEs would be included, therefore this will need factored into cost considerations and allowances.
- c) Power NI asked that the Et term should be further amended to provide for the regular costs of maintaining its preparedness for supplier of last resort (SOLR) events which are allowed under Condition 23 of the licence.

6.5 Our response to the issues raised by the company is:

- a) In respect of the **Et** term for smart metering
  - (i) UR recognises that the project is more than an IT project. The definition of the term in the licence clarifies that it covers any reasonable costs in respect of implementing a plan and that an allowance may only be determined if the project has been justified in a submission to the Authority. The definition is broad enough to allow Power NI to justify funding for a range of activities.
  - (ii) As above, the scope of the mechanism is broad and will allow Power NI to utilise its knowledge and experience to help shape and design the deliverable and not be limited to recovery of post design implementation costs where this can be justified.

- (iii) We note Power NI's concern about the wording "clearly in pursuit of a Ministerial policy decision" in the definition of the term. UR will not allow additional costs to be passed through to consumers until there is a clear and demonstrated need for those costs as evidenced by a Ministerial policy decision. The ability for the company to recover costs in implementing a plan of work and the requirement that an allowance can only be determined if a project has been justified in submission to the Authority to clarify whether it considers a project is clearly in pursuit of a Ministerial objective in advance of the company incurring costs.
- (iv) The definition notes that an allowance may only be determined in respect of any project for the development of smart metering if the project is sufficiently material and has been "justified in a submission to the Authority which is in such format and contains such information as may be specified by the Authority for that purpose (including costs, outputs and benefits)." This provides the opportunity for UR to define the format of a submission as the needs emerge. At this stage, we note that:
  - a. submissions should be made in advance of the company incurring significant costs;
  - b. submissions should be comprehensive in that they should anticipate future stages of the work including reasonable estimates of the costs of future stages;
  - c. submissions should set out how the costs additional to and separate from costs already recovered under the licence; and
  - d. submissions should give equal weight to the potential cost savings of smart metering as well as additional costs incurred in implementing smart metering.

The same stipulations will apply to submissions in respect of a Digital Engine.

- (v) Power NI's offering to SME's, which may be affected by smart metering, is a competitive offering and the associated costs do not form part of the regulated tariffs. In any submission in respect of smart metering (and Digital Engine), Power NI should include a robust allocation of costs between its regulated domestic tariff and its commercial and other business activities.

- b) Costs identified by Power NI can be recovered under Condition 23 of the licence. As a result, we have not amended the licence to introduce an  $E_t$  term to recover these costs

6.6 The modifications we have decided to make to the Definition of the  $E_t$  term are set out in Table 6.1 below. While we have provided further clarity on the scope of submissions in respect of the  $E_t$  terms for smart metering and Digital Engine, we reserve the ability to provide further guidance on the scope of these submissions in light of emerging circumstances. The modifications remain unchanged from the proposals we consulted on.

**Table 6.1: Modifications to the  $E_t$  terms**

Annex 2, Paragraph 2 definition of $E_t$ term	Purpose / reason	Modifications
1 <sup>st</sup> paragraph	Modification to reference additional items	Delete '(a) – (m) and replace with (a) – (o)
Sub-paragraph (b)	Amend organisation name	We are modifying the text to reflect the change of name of the Commission for Energy Regulation to the Commission for Regulation of Utilities.
Sub-paragraph (c)	Amend organisation name	We are modifying the text to reflect the change of name of the Commission for Energy Regulation to the Commission for Regulation of Utilities.
Sub-paragraph (d)	Update pension deficit costs	Delete £400,000 and replace with £519,000
Sub-paragraph (k)	Remove redundant term	Delete existing text in full and replace with 'Not used;'
Sub-paragraph (l)	Remove redundant term	Delete existing text in full and replace with 'Not used;'
Sub-paragraph (m)	Remove redundant term	Delete existing text in full and replace with 'Not used;'

Annex 2, Paragraph 2 definition of E <sub>t</sub> term	Purpose / reason	Modifications
Sub- paragraph (n)	Additional term	<p>Add additional term in respect of smart metering</p> <p>“any reasonable costs incurred (or to be incurred) by the Licensee in implementing a plan for smart metering for domestic consumers which is clearly in pursuit of a Ministerial policy decision, net of any reduction in existing costs or projected costs arising from the implementation of smart metering for domestic consumers, as reasonably determined by the Authority and to the extent such costs are not recovered or recoverable under another part of this licence or under any other licence.</p> <p>An allowance may only be determined in respect of any project for the development of smart metering if the project is sufficiently material and has been justified in a submission to the Authority which is in such format and contains such information as may be specified by the Authority for that purpose (including costs, outputs and benefits).”</p>
Sub- paragraph (o)	Additional term	<p>Add additional term in respect of digital engine project</p> <p>“any reasonable costs incurred (or to be incurred) by the licensee in implementing a plan for a Digital Engine project, as reasonably determined by the Authority, net of any reduction in existing costs or projected costs arising from the implementation of the proposals, and to the extent such costs are not recovered or recoverable under another part of this licence or under any other licence.</p> <p>An allowance may only be determined in respect of any project for a digital engine if the project is sufficiently material and has been justified in a submission to the Authority which is in such format and contains such information as may be specified by the Authority for that purpose (including demonstrating the need for the project and the costs, outputs and benefits).”</p>

## Reasons for and effects of modifications to the E<sub>t</sub> terms

### Modification to reference additional items

- 6.7 The scope of the E<sub>t</sub> term is defined in a series of sub-paragraphs. The reasons and effect of the modification to the first paragraph of the

definition of the **E<sub>t</sub>** term, as set out in Table 6.1 above, is to expand the scope of the term to include the additional sub-paragraphs (n) and (o).

### Modifications to amend organisation names

- 6.8 We are modifying sub paragraphs (b) and (c) to reflect the change of name of the Commission for Energy Regulation to the Commission for Regulation of Utilities. This change of name has no effect on the substance or operation of the licence

### Modification to the definition of pension deficit costs

- 6.9 Sub-paragraph (d) of the definition of the **E<sub>t</sub>** term makes provision for the company to recover pension deficit costs of a defined sum (currently £400,000 per year) or such other amount reasonably determined by the Authority which will take account of the most recent triennial actuarial review undertaken by the Licensee. We are modifying the stated amount from £400,000 to £519,000 per year. The reason for and effect of this modification is to reflect the amount established through the most recent triennial actuarial review undertaken by the Licensee. The licence terms continues to make provision for this amount to be amended when further triennial actuarial reviews are undertaken by the Licensee.

### Modifications to remove redundant terms from the definition of the **E<sub>t</sub>** terms

- 6.10 When Annex 2 was modified to extend the supply charges restriction to 31 March 2025, the **E<sub>t</sub>** term was modified to include two additional sub-paragraphs:
- k) any reasonable costs associated with IT systems (including support), employment related and Payment Providers + Mailing costs as reasonably determined by the Authority, and to the extent not recovered under another part of the licence or under any other licence; plus
  - l) such other amount which reflects and is calculated in accordance with a sharing mechanism, specified from time to time by the Authority, to reflect a reasonable sharing of any savings made in respect of "Payment Providers + Mailing" (should this scenario arise) for which a cost allowance within St has been provided; plus
- 6.11 These provisions were introduced because of a rapid escalation of costs over and above inflation at the time of the last review. It meant that the operational allowance inherent in the existing definition of the **S<sub>t</sub>** term was no longer appropriate. Because future costs were uncertain, provision was made for the company to recover reasonably determined costs

pending the outcome of the next price control. Having consulted on amendments to the  $S_t$  equation which reset the baseline costs to reflect current circumstances, we consider these existing sub-paragraphs of the  $E_t$  term to be redundant.

- 6.12 When Annex 2 was modified to extend the supply charges restriction for the recovery of costs relates to the Energy Bills Support Scheme (EBSS) and Alternative Fuel Payments (AFP), the  $E_t$  term was amended to include an additional sub-paragraph:
- m) any reasonable costs incurred (or to be incurred) by the Licensee in administering the provision and delivery of EBSS payments and other associated requirements, as set out in the direction made on 22 December 2022 by the Secretary of State pursuant to section 22 of the Energy Prices Act 2022 (the EBSS AFP NI Direction), as reasonably determined by the Authority and to the extent such costs are not recovered or recoverable under another part of this licence, under any other licence or under any other legal instrument (including, for the avoidance of doubt, the EBSS AFP NI Direction.).
- 6.13 This provision was introduced to allow Power NI to recover the costs of implementing mandatory government support schemes during the recent spike in energy prices. This work is complete, and the legislation has no further effect. For this reason, we consider these existing sub-paragraphs of the  $E_t$  term to be redundant.
- 6.14 For the reasons above, we are deleting the text of sub-clause k, l and m of the  $E_t$  term and replace it with 'Not used'. The effect is to remove redundant sub-clauses from the definitions while maintaining the numbering of the existing sub-clauses.

### Modification to add additional terms to the definition of the $E_t$ terms

- 6.15 We are adding additional terms for the definition of the  $E_t$  term as follows:
- An additional term in respect of smart metering (sub-paragraph (n)).
  - An additional term in respect of digital engine project (sub-paragraph (o)).

The wording of the additional terms is set out in Table 6.1 above.

- 6.16 **In respect of smart metering**, the Department for the Economy consulted on the design plan for the roll-out of smart electricity meters in October 2024. The consultation closed on the 16 January 2025, but no final

decisions have been made. The introduction of smart metering could have material cost impacts on electricity supply companies as they engage on the development of smart metering and introduce new systems to facilitate smart metering, including the development of tariff offerings. At this stage, the scope and cost of these changes remains uncertain, and we have been unable to set an ex-ante cost allowance in respect of these changes. Therefore, we are making provision for the company to recover additional costs incurred in implementing a plan for smart metering for domestic consumers which is clearly in pursuit of a Ministerial policy decision, net of any reduction in existing costs or projected costs arising from the implementation of smart metering for domestic consumers, as reasonably determined by the Authority and to the extent such costs are not recovered or recoverable under another part of this licence or under any other licence.

- 6.17 As Power NI develops its proposals and submissions in respect of smart metering we expect it to identify actual or projected cost savings which might arise from smart metering and only seek to recover of the net additional cost. The Authority will make an assessment of actual or projected cost savings when it reasonably determines an amount under this licence term.
- 6.18 Costs will only be allowed once there are clear Ministerial policy decisions to underpin any request for any such cost recovery. An allowance may only be determined in respect of any project for the development of smart metering if the project is sufficiently material, is clearly in pursuit of a Ministerial policy decision, and has been justified in a submission to the Authority which is in such format and contains such information as may be specified by the Authority for that purpose (including costs, outputs and benefits).
- 6.19 We are introducing an additional **E<sub>t</sub>** term in respect of smart metering for the reasons set out above. The effect of this additional clause is to facilitate the development of smart metering in pursuit of a Ministerial policy decision.
- 6.20 **In respect of a digital engine**, the company has proposed that we include an additional **E<sub>t</sub>** term under the broad heading of 'digital engine'. The company has made a case that it might incur additional costs in areas such as the development of apps, systems integrations or digital sustainability as the energy transition progresses. We can understand the purpose of this in a rapidly changing environment for communications, energy markets, sustainability and consumer expectations. We are therefore making provision for the determination of additional costs subject to certain conditions. The company must demonstrate the need for any changes either in the terms of exogenous cause, consumer

benefit and/or consumer support. The company must identify actual or projected cost savings which might arise from the changes it proposes and only seek net additional costs. The changes must be justified in a submission which is in such format and contains such information as may be specified by the Authority for that purpose (e.g. including costs, outputs and benefits).

- 6.21 We are introducing an additional **E<sub>t</sub>** term in respect of a digital engine to allow the company to implement reasonable plans to upgrade its systems and service offerings in a rapidly developing electricity supply sector. The effect is to allow the company to continue to respond to such changes without having to seek further licence modifications in respect of communications, energy markets, sustainability and consumer expectations.



## 7. Condition 55, Annex 2, Section 6 - Duration of Supply Charge Restriction Conditions

### Overview

- 7.1 The duration of the supply charge restriction condition is set out in Section 6 of Annex 2 of the supply licence.
- 7.2 The supply charge restriction condition remains in place for as long as the licence remains in force, but shall cease to have effect if the Licensee delivers to the Authority a request (a “Disapplication Request”) made in accordance with Section 6. In the current licence, no disapplication of the supply charge restriction shall have effect earlier than a date which is:
  - a) the date occurring 18 months after delivery of the Disapplication Request; and
  - b) 31 March 2025, the end of the period which was the basis of the determination of key financial amounts and other parameters in the current licence.
- 7.3 The licence conditions allows the Licensee to secure modifications to the Charge Restriction Conditions for the period after the end of the current price control, either through a further determination and decision on licence modifications by the Authority or failing that, the CMA.
- 7.4 To maintain the effect of this condition, it is necessary to modify the relevant date in Paragraph 6.2(b) of Annex 2 to 31 March 2029 to reflect the end date of the period covered by the SPC25 Final Determination and preserve the right of the Licensee to secure changes to the supply charge restriction conditions if a new price control and licence modifications have not been put into effect at an appropriate time.
- 7.5 The modifications we have decided to make to the duration of the supply charge restriction condition are set out in Table 7.1 below. We did not receive any response to the consultation on licence modifications in respect of these modifications and they remain unchanged from the proposals we consulted on.

**Table 7.1: Modifications to Section 6 of Annex 2 of the licence**

Annex 2, Paragraph 6	Purpose / reason	Modifications
Annex 2, Section 6.2 (b)	Adjust for the price control period	Delete 31 March 2025 and insert 31 March 2029

## Reasons and Effects

- 7.6 The reasons for and effects of the modification are to preserve the right of the Licensee to secure changes to the supply charge restriction conditions if a new price control and licence modifications have not been put into effect at an appropriate time.

## 8. Next Steps

- 8.1 This paper sets out the Utility Regulator's decision on modifications to the Power NI supply licence
- 8.2 Table 8.1 provides an overview of the next steps and timelines for the remainder of the SPC25 Price Control licence modification process.

**Table 8.1: Key milestones**

Date	Milestone
30 June 2025	UR decision on licence modifications pursuant to the SPC25 Final Determination and other regulatory decisions published.
25 August 2025	Effective date of the licence modifications.

- 8.3 The effective date of this licence modifications decision is the 25 August 2025. However, the modified price control will operate such that the modifications will be treated as being applicable with effect on and from 1 April 2025.
- 8.4 The effective date of the licence modifications is not less than 56 days after publication of the licence modifications decision, in line with the requirements of Article 14(10) of the Electricity Order. This period provides an opportunity for Power NI, any other licence holder materially affected by the decision, a qualifying body or association representing one of those licence holders, and/or the Consumer Council for Northern Ireland to appeal the decision on the licence modifications to the Competition and Markets Authority (CMA).
- 8.5 An application to the CMA for permission to appeal must be made within 20 working days from 30 June 2025.
- 8.6 If an appeal was made to the CMA, the CMA would in a first step decide whether to give permission for the appeal to proceed or not. If permission were granted, the CMA would have a period of 6 months in which to determine the appeal. This could be extended to 7 months if required. In the event of an appeal to the CMA, the CMA may decide to suspend this decision or part of this decision for the duration of the appeal.
- 8.7 This document is available in other accessible formats, such as large print, Braille, audio cassette and a variety of relevant minority languages if required. Please contact Fiona Rooney on either 028 9031 6335 or email: [Electricity\\_Networks\\_Responses@uregni.gov.uk](mailto:Electricity_Networks_Responses@uregni.gov.uk) with cc to [fiona.rooney@uregni.gov.uk](mailto:fiona.rooney@uregni.gov.uk) to request this.