GAS RETAIL SUPPLY PRICE CONTROLS 2027 (SPC27)

UR PROPOSED APPROACH CONSULTATION
4 JULY 2025

ABSTRACT

This paper sets out Utility Regulator's (UR) approach to the supply price controls for both price regulated gas companies. The next price controls for the gas supply companies, firmus energy (supply) Ltd (FES) and SSE Airtricity Gas Supply (NI) Ltd (SSE Airtricity) are due to begin 1 January 2027 and 1 April 2027, respectively.

This is the first in a series of documents which UR will publish relating to the price controls under this SPC27 project. This paper outlines UR's proposed approach in relation to examining the main areas within the controls: structure and form; scope and coverage of price regulated tariffs; duration of control; operating costs levels and allocations; and allowed margin.

AUDIENCE

Consumers and consumer groups; industry; and statutory bodies.

CONSUMER IMPACT

This paper sets out UR's intended approach for the gas supply price controls from 2027 onwards. The price controls establish the permitted costs and margin for each price regulated company for the duration of the control period. Subsequent price regulated tariffs will have to operate within these limits.

The price control decisions will therefore impact on the bills of price regulated customers.

Utility Regulator

Contents page

1. EXECUTIVE SUMMARY

1.1 This consultation sets out our plans to set a price control which will continue the regulation of the maximum tariff SSE Airtricity Gas Supply (NI) Ltd (SSE Airtricity) and Firmus Energy (Supply) Ltd (FES) can charge domestic and small industrial and commercial (I&C) consumers for the supply of gas in the areas in which they are the dominant suppliers. The new price controls will replace existing arrangements for price regulated tariffs which come to an end on 31 December 2026 for FES and 31 March 2027 for SSE Airtricity.

1.2 We have provisionally concluded that we should continue to regulate both gas supply companies' domestic and small I&C tariffs because they still hold a dominant position in the relevant supply market within their respective areas and because we expect them to continue to do so during the period in which the price controls would apply. We seek feedback from respondents as to whether small I&C customers in the West area should be included in the overall price control for SPC27.

1.3 Subject to the outcome of this consultation we propose to maintain much of the structure and form of the current price controls, but we welcome views on any amendments which are in the interest of consumers.

1.4 We intend to perform a review of the margin through which both companies recover the cost of financing their activities and are remunerated for their services.

1.5 We propose to set a four-year price control. This will avoid the regulatory burden of shorter price controls on both the companies and Utility Regulator (UR) and aligns with the current gas supply price control SPC23.

1.6 We would welcome the views of consumers and stakeholders to the questions posed in this consultation and any other matters relevant to these price controls. The consultation will be open for a period of 6 weeks.

1.7 Following that, we will carefully consider the responses we have received to the consultation and expect to publish our final approach towards the end of the year. Following the publication of our final approach document, the next key stage in this price control will be a draft determination which we plan to publish at the end of May 2026 for FES and June 2026 for SSE Airtricity. This will seek the views of consumers and stakeholders on the decisions we propose to make on the scope and form of the price control and key determined values for costs and margin.

2. CONTEXT

Background

2.1 In relation to gas, UR must exercise its functions, including when setting price controls, in accordance with the duties set out at Article 14 of the Energy (Northern Ireland) Order 2003.

2.2 The principal objective of UR is "to promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland", whilst having regard to "the need to ensure a high level of protection of the interests of consumers of gas". However, the statute also sets out a range of other relevant duties which apply while we seek to fulfil that principal objective, and we will carefully take into account, and act in accordance with, all of them in making any decisions relating to the price control. We do not repeat the detailed provisions of Article 14 here, but reference should be made to them for an understanding of the duties that will shape our decisions.

2.3 In Northern Ireland (NI), there are three distinct distribution network areas for natural gas. These are the Greater Belfast area, the Ten Towns area, and the West. The Greater Belfast area is served by Phoenix Energy Ltd, the Ten Towns area is served by Firmus Energy Networks Ltd, and the West is served by Evolve Ltd.

2.4 There are currently two price regulated gas supply companies in NI:

- SSE Airtricity is the price regulated gas supply company in Greater Belfast and the West; and
- FES is the price regulated gas supply company in the Ten Towns area. (It should be noted that Yuno Energy Group purchased the Firmus Gas Supply business in November 2024 and that it has acquired and is retaining the Firmus energy brand for the purposes of the supply business.)

2.5 The Greater Belfast market has been open to competition since 2007, and at present there are approximately 257,862 connections to the gas network. Currently, there are six active suppliers in the market; however, only two companies offer supply to domestic consumers. SSE Airtricity is the incumbent supplier in this area. Its current price control lasts for a period of four years from 1 April 2023 to 31 March 2027.

2.6 The West area has fewer than 5,000 customers in the market, and SSE Airtricity remains the sole supplier to domestic customers.

2.7 The Ten Towns gas market has approximately 73,989 connections to the gas network. The market for I&C customers using less than 732,000 kWh per annum has been open to competition since April 2015 and there are currently six suppliers in it. However, FES is currently the only supplier for domestic customers. Its current price control lasts for a period of four years from 1 January 2023 to 31 December 2026.[1]

[1] REMM Transparency Reports 2025 | Utility Regulator

UR Strategic Approach to NI Energy Gas Retail Markets

2.8 Where competition is either not possible or is not sufficiently developed or effective, UR protects customers by regulating the amount that can be charged by relevant companies. This applies to monopoly network businesses but also to any electricity and gas supply markets in which there is a dominant supplier. Therefore, in the geographical gas markets, in which there are supply companies with dominant market positions in relation to household and small business customers, UR retains price controls on those companies.

2.9 We routinely monitor changes in market share. However, at this time, we envisage that price controls will need to remain in place for both FES and SSE Airtricity beyond 2027, given their current and likely future dominance in the domestic market. In the small I&C market we envisage that price controls will need to remain in place in Greater Belfast and the Ten Towns area. However, we are seeking feedback from respondents on the small I&C market in the West described further in Section 4 of this document. Consequently, we need to carry out the work to prepare the SPC27 controls. Other issues relating to the scope/coverage are discussed further below.

About This Document

2.10 The purpose of this document is to outline the approach and timetable that UR currently proposes to take in relation to setting the next price controls for the gas supply companies, and to seek feedback from stakeholders on the questions presented.

2.11 This paper marks the start of the process within which the new controls will be set. It is anticipated that the work will be completed by the end of 2026 with the view to having the controls in place for the relevant start dates.

2.12 We intend for this process to be transparent and structured. To that end this paper highlights the main issues likely to affect each control, as well as our initial thoughts on how those issues may be addressed or looked at further. We also outline the intended timetable for the process. Given the need for timely delivery to meet licence requirements, we intend to stick closely to this timetable and the milestones set out therein. However, we reserve the right to make small adjustments to the timetable if this becomes necessary.

2.13 This draft approach consultation paper sets out our intention to undertake a price control which will regulate the tariffs for the consumers using less than 73,200kWh per annum (known as EUC1 tariff) for both SSE Airtricity and FES beginning in 2027. We are seeking feedback on the approach we plan to take. We will publish a final approach paper in November 2025 after receiving and reviewing feedback to this draft approach.

3. STRUCTURE AND FORM

3.1 The details of the operation of FES and SSE Airtricity's supply price controls are set out in each Licence. At present, the maximum allowed unit price of gas (P_{st}) for customers (subject to price control) is made up of a number of components:

$$P_{st} = G_t + U_t + S_t + M_t + E_t - K_{st}$$

3.2 In any given year, t:

- **G_t** refers to the cost of the "wholesale" gas which the supply company purchases and will be passed directly through to customers via the price regulated tariff.
- **U_t** covers the costs of using the gas distribution network; these costs are reviewed for all Suppliers through the Gas Transmission and Distribution (T&D) price controls.
- **S_t** means the allowed operating charge in pence per unit of gas supplied by the Licensee to Regulated Premises in Relevant Year t.
- **M_t** means the applicable margin to be applied to each unit of gas supplied by the Licensee to Regulated Premises in Relevant Year t.
- **K_{st}** is a correction facility whereby under or over-recoveries in the previous year can be collected by the business (under-recovery) or given back to consumers (over-recovery).
- **E_t** is an uncertainty mechanism used for allowing certain pre-defined categories of cost that are too uncertain at the start of the control to be included as an allowance in the St term, but in each case subject to a determination by UR of what is reasonable and efficient spend.

3.3 Network, wholesale, operating costs and margin are discussed later in this paper.

3.4 A price control is the mechanism that we use to determine the allowed costs and margin which together make up the maximum average price per therm that a price regulated gas supply company can charge.

3.5 Having set the maximum average price, we review each company's tariffs to ensure that they are constructed in line with the provisions within the price control.

UR Proposed Approach

3.6 We do not propose to make any changes to the current structure and form of the two price controls, although we do intend to review in detail the supply operating costs and the categories of costs recoverable via the E_t mechanism. As mentioned later in this document we also intend to review the gas retail supply margin.

Q1: Do respondents consider that the existing structure and form remains appropriate for SPC27? If not, please explain what changes to the structure and form you believe should be made.

4. SCOPE AND COVERAGE

4.1 This section of the paper describes the scope and coverage of both gas price controls – in other words, the customer types who are covered under the price control regime.

SSE Airtricity

4.2 Currently, SSE Airtricity is subject to price control in the market for those consumers within the EUC1 tariff in Greater Belfast. This includes all domestic consumers and small I&C consumers.

4.3 In Greater Belfast, SSE Airtricity holds 83% domestic market share. In addition, the latest quarterly transparency report published[2] by UR shows that SSE Airtricity currently holds 58% market share in the small I&C market in Greater Belfast.

4.4 There are currently no competing suppliers in the domestic market in the West area, and therefore SSE Airtricity holds 100% domestic market share in that area. Within the small I&C customer market in the West area, SSE Airtricity holds a market share below 50%. However, we note that there are only 73 small I&C gas connections in this area. UR invites respondents to provide feedback on whether the small I&C customers should be included in the overall price control for SPC27 in the West area.

Firmus Energy

4.5 Currently, FES is subject to price control in the market for those consumers under the EUC1 tariff in the Ten Towns area. This includes all domestic consumers and small I&C consumers.

4.6 There are currently no competing suppliers in the domestic market in the Ten Towns area, therefore FES holds 100% market share. In addition, the latest quarterly transparency report published by UR shows that FES currently holds 66% market share in the small I&C market in the Ten Towns area.

[2] REMM Transparency Reports 2025 | Utility Regulator

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UR Proposed Approach

4.7 Given the current dominant market shares of both SSE Airtricity and FES in the domestic market in their respective areas, our provisional view is that this dominance is likely to persist over the SPC27 period, and we therefore propose to maintain a price control for the domestic customer base. We propose to maintain a price control for small I&C customers in Greater Belfast for SSE Airtricity and in the Ten Towns area for Firmus, as our provisional view is that dominance is also likely to persist in these areas.

4.8 For small I&C customers in the West we are seeking respondents feedback on whether this should be maintained in the price control. We note that the price control covers the period 2027–2031 and so we consider that our decision should be based on a forward-looking assessment and not just current market conditions. We will undertake further review and consideration to inform our final approach decision.

Q2. Do respondents consider that the proposed scope/customer coverage for those markets set out in paragraph 4.7 is appropriate for SPC27? We also welcome feedback on small I&C customers in the West and whether you believe this should be included in SPC27.

5. DURATION

5.1 The existing price controls for FES and SSE Airtricity have a duration of four years. Prior to SPC23, a review of the various options for the duration were considered (1-2 years, 3-4 years, and 5+ years). During our initial bi-lateral meetings with both companies, neither disagreed with a four-year price control duration for SPC27.

5.2 The existing price control, SPC23, is four years in duration, with the previous price control SPC20 having been three years. Both are viable options for a gas retail price control.

5.3 A three-year duration limits UR's ability to assess the supplier's performance under existing controls when preparing for the subsequent price control. This is because when the price control is under review, UR will only have one year's actual outturn performance from the existing control to baseline expenditure (for year 1); as well as latest best estimates (LBEs) (for year 2), and forecasts (for year 3). A longer control would provide additional years of actual outturn costs to assess the appropriateness of the supplier's allowances.

5.4 A longer control will also incentivise the companies to make efficiencies, as the supplier can benefit more in a longer control. UR can then ultimately recoup these potentially greater efficiencies in the following control through a reduction in allowance, which benefits consumers in the long-term.

UR Proposed Approach

5.5 Our initial view is that we consider a four-year duration for SPC27 to be the most appropriate time-period for the new controls to last. However, we invite stakeholders to share their views on this.

Q3. Do respondents agree with the proposal that a duration of four years for SPC27 is most appropriate? If not, please explain what you consider a more appropriate duration would be and why.

6. TREATMENT OF COSTS

6.1 This section of the document discusses the proposed approach to the treatment of costs within the gas supply price controls. Additionally in Annex 3 there is a summary of the proposed treatment of these costs for SPC27.

6.2 The gas supply price control determines the treatment of each of the costs which make up the maximum average price, which are:

- Network Costs
- Wholesale Gas Costs
- Supply Operating Costs

Network Costs

6.3 Network costs cover the charges for the use of the NI gas transmission and distribution systems. These charges are reviewed and approved by UR under the price control frameworks with the relevant gas network companies.

6.4 The costs for the transmission system are those costs involved in bringing gas from Scotland to Northern Ireland, via the Scotland to NI Pipeline (SNIP), and all the transmission pipelines within NI.

6.5 The costs for the distribution system are those costs associated with moving gas throughout the three distribution areas to homes and businesses. Transmission and distribution costs are published by the relevant system operator.

UR Proposed Approach

6.6 In the current and all previous controls, network costs have been treated on a pass-through basis, which means that the company is allowed to recover the actual costs incurred. Since these costs are separately regulated in the price controls of the network companies, and are not controllable by the suppliers, we propose to retain this approach for the forthcoming controls and allow network costs to be recovered on a pass-through basis.

Q4. Do respondents agree with the proposal that network costs should be treated as pass-through for the next SPC27 Price Control? If not, please explain why.

Wholesale Gas Costs

6.7 Gas costs relate to the cost of wholesale gas as well as the costs for transporting gas through Great Britain to the SNIP (these transportation costs are published by National Grid) and the costs of credit. Previous controls have determined that these costs are pass-through, which means that the company is allowed to recover the actual cost of purchasing gas for supply in Northern Ireland. Therefore, where wholesale gas costs increase or decrease, the additional costs, or resulting savings, are passed on to customers.

UR Proposed Approach

6.8 We propose to continue to allow wholesale gas costs and the related transportation and credit costs as pass-through costs. Wholesale gas costs will be allowed as pass-through at the level purchased at the National Balancing Point (NBP). All wholesale cost inputs are then verified as part of the price regulated tariff review exercise every six months.

Q5. Do respondents agree with the proposal that wholesale gas costs should be treated as pass-through for the next SPC27 Price Control? If not, please explain why.

Supply Operating Costs (Opex)

6.9 We propose to use a bottom-up approach for both companies, building up the opex on a line-by-line basis with a detailed review of each cost line (with historical trend analysis). We opt for this approach on the basis that the cost allowances that were set in the previous controls were, for many items, new and increased.

6.10 Actual spend will need to be analysed and compared to current allowances set. This analysis will be considered in the process of setting allowances for SPC27. We will focus our analysis on the larger cost areas and those areas which are forecast to increase significantly over the period of the control.

6.11 For both gas supply companies, there are a number of potential opex areas which we expect to require more focused analysis. These include, but are not limited to, bad debt, FTE allowance, billing, and IT costs.

6.12 The gas supply companies will submit forecast costs for a minimum of a four-year period, along with historical costs evidencing costs to date. This will include the LBE for the most recent year if it has not fully closed. The LBE should be based on actual monthly costs up to the point they have been finalised in the management accounts and forecast costs for the remainder of the year. We may ask the suppliers to split the LBE year costs into actual and forecast. They will also be required to identify any activity which is to be discontinued and where spending will not reoccur. Opex allowances will only be given if:

- any net increase in costs is due to exogenous changes in business obligations which is unavoidable and forecast at efficient levels; and
- the company is able to provide compelling evidence for the amounts claimed.

6.13 This means that the burden of proof lies with the company. If the company is not able to justify its claims to UR's satisfaction, then the costs will not be allowed within the control.

UR Proposed Approach

6.14 We propose use a bottom-up approach and compare actual costs to allowances set in determining reasonable supply operating costs.

Q6. Do respondents agree with this proposed approach to supply operating costs for SPC27? If not, please explain why.

Uncertain Costs

6.15 Costs within this category refer to the E_t term in the licence and are reviewed and reset for each price control period. It is our intention that there will be a thorough review for each company for SPC27, which might lead to certain categories being removed.

6.16 These costs include expenditure that is outside of management control (e.g. exogenous and unavoidable). This will include items such as changes in legislation, licence changes, or European Directives. In order to be granted an additional allowance, the companies will need to clearly demonstrate that the change places a financial burden on them that was not considered at the time of the control. Furthermore, the company will have to justify to UR's satisfaction, that the amount of any new allowance represents reasonable and efficient spend on the relevant cost item.

6.17 Any costs arising outside of those mentioned in paragraph 6.15 will not be allowable.

UR Proposed Approach

6.18 Uncertain costs will be thoroughly reviewed in the SPC27 Price Control, certain categories may be removed and any new allowances will be reviewed by the UR to ensure reasonable and efficient spend.

Q7. Do respondents agree with this proposed approach to uncertain costs for SPC27? If not, please explain why.

Business Separation

6.19 Yuno purchased the Firmus supply business as a standalone entity and paid accordingly, including for the Intellectual Property (IP) in the Firmus brand. If residual separation costs attach to the supply business, they should have been factored into the purchase price. FES can have no reason to expect that allowances will be given via the new supply price control for separation costs.

UR Proposed Approach

We propose not allowing any business separation costs as mentioned above.

Q8. Do respondents agree with this proposed approach to business separation for SPC27? If not, please explain why.

Cost Allocation

6.20 The gas supply companies will be required to apportion their costs between affiliated businesses and between price regulated and non-price regulated customers in line with the apportionment methodology set out in condition 1.2.5 of their gas supply licences.

6.21 The apportionment allocation of costs determines the appropriate level of costs to the tariff sector, i.e. the price regulated sector of SSE Airtricity and FES. This ensures there is no cross-subsidisation between the tariff and non-tariff businesses. To calculate the apportionment, each cost line is apportioned on the basis of the most appropriate cost driver and these apportionments are summed to provide the overall percentage. A list of the apportionment cost drivers for FES and SSE Airtricity can be found in Annexes 1 and 2, respectively.

6.22 As part of the SPC27 Price Control process, we will review the cost allocations as appropriate and as new information is submitted by each company.

Treatment of Variable Costs

6.23 Within each control, we propose to review our treatment of variable costs, i.e. those costs which vary by customer numbers or volume. The nature of a gas supply business is such that some costs are dependent on the number of customers and the volume of gas that has flowed; and that within the gas supply business, both these drivers could rise or fall depending on the level of competition, the growth in the gas industry, or external factors such as the weather. These costs are initially allowed through the S_t term, as per condition 2.4.2 of the gas supply licences at final determination stage, and if retrospectively adjusted, they are allowed through the K_{st} term as part of the annual reconciliation process.

6.24 Within the current gas supply price controls, the majority of opex costs are set at a fixed allowance. However, there are a number of costs which are retrospectively adjusted. These costs relate to those for billing, meter reading, printing and posting bills, and transaction costs for prepayment customers. Currently, these costs are allowed on the basis of the actual cost drivers (meters read, bills posted, etc.). The current SPC23 cost drivers and their treatment for FES and SSE Airtricity are detailed in Annexes 1 and 2, respectively. Cost drivers will be reviewed as part of the SPC27 Price Control process to determine if they are still the most appropriate driver for each cost line item and adjusted if necessary.

UR Proposed Approach

6.25 We will review these costs to determine if it is appropriate to retain these costs as retrospective costs or to introduce a methodology to determine fixed and variable costs. It is important to note that this methodology may differ between the two companies due to their relative size, i.e. as a company increases in size, the cost driver or retrospective adjustment used previously may be less relevant and this would need to be reviewed. As each company is at different stages of business development, we will review the information received on an individual company basis.

Q9. Do respondents agree with this proposed approach to review the variable costs for SPC27 and adjust as appropriate depending on individual company circumstances? If not, please explain why.

7. MARGIN

7.1 This section of the proposed approach paper discusses the approach to setting a margin for each of the price regulated energy supply companies.

7.2 Both SSE Airtricity and FES currently operate under existing price control provisions with an allowed margin of 2% of allowed revenue.

7.3 SSE Airtricity and FES' current price controls are fixed using the formula as defined in both supply licences, further detail on the terms can be found in paragraph 3.2:

$$\boldsymbol{M_t = ((G_t + U_t + S_t + E_t + K_{st})/0.98) - (G_t + U_t + S_t + E_t + K_{st})}$$

7.4 During SPC17, UR, along with external consultants, carried out a complete review of the margin. For this, we used the framework of analysis developed during the 2013 Power NI price control review to understand what an appropriate margin would need to be in order for the two gas companies to be in a position to earn a profit equivalent to the amount of financial capital in a supply business multiplied by the cost of that capital, i.e. a capital base x cost of capital calculation.

7.5 Further work was completed during SPC23 on the review of FES' margin after a margin paper completed by Frontier Economics accompanied the company's business plan.

7.6 UR engaged consultants First Economics and after a review of the paper, UR concluded that the margin for SPC23 should remain at 2%.

7.7 FES acknowledged the challenges in reviewing the margin as part of the SPC23 price control review and provided no further evidence as to why the margin should be changed from the current level of 2%. FES did ask that we keep margin in mind if changes to the market take place.

7.8 In the case of the capital base, we assessed the size of requirements of the following: fixed assets, customer acquisition costs, collateral and security deposits, working capital, and standby risk capital.

7.9 In terms of cost of capital, we applied the methods that regulators typically use when calculating the weighted average costs of capital (WACCs) of price regulated companies more generally. This entails, in particular, the use of the capital asset pricing model (CAPM) to estimate the cost of equity.

7.10 The SPC17 Final Determination also approved a margin of 2% of allowable turnover. This was determined to strike an appropriate balance between the calculations of the CMA, UR's external consultants, and both FES and

SSE Airtricity and their advisors, whilst at the same time taking account of other benchmarks in the energy industry.

7.11 In August 2023, Ofgem published a decision on amending the calculation of Earnings Before Interest and Tax (EBIT) allowance. This decision involved a hybrid approach using a combination of fixed and variable components. The fixed component is based on Renewables Obligation (RO) ringfencing and fixed assets multiplied by costs of capital. The variable component is set as a percentage of the price cap level.

7.12 Ofgem increased its allowed margin from 1.9% to an indicative, projected value of 2.4%. This was mainly due to Ofgem changing its estimate of asset beta within the cost of capital calculation, which increased from 10% to 12.2%.

7.13 The asset beta in GB is likely to be higher than that of FES and SSE within NI because of a range of factors relating to how the competitive retail market in gas operates in GB.

7.14 However, it is important to note that the cost-recovery risks that the GB suppliers have faced under Ofgem's energy price cap design are of a different order of magnitude to any risks that exist under UR's regulatory framework. Generally, GB suppliers are exposed to more wholesale price risk than the NI gas companies as the NI companies are allowed wholesale costs as a pass-through at the level purchased at the National Balancing Point (NBP). These are recoverable through the 'K-Factor' mentioned below.

7.15 The price regulated gas tariffs in NI also importantly include a 'K-Factor' to address under-/over-recoveries within the tariff. This serves as an important cost/risk mitigation mechanism, therefore reducing the need for added risk premiums within the margin.

Financeability

7.16 Financeability tests are a standard part of price reviews for network utility businesses. Regulators typically say that a company is financeable if they are satisfied that:

- the allowed return on equity is no lower than the cost of equity; and
- the price regulated company's cash flows will produce interest cover and other financial ratios that are compatible with a solid investment-grade credit rating.

7.17 An expert review will be carried out on margin to help ensure the first point above is satisfied.

7.18 In the second test, we would expect that the capital requirements of a gas retail company are unlikely to be funded through borrowing. However, we will assess the individual financeability of both FES and SSE Airtricity as part of the SPC27 Price Control process.

Proposed Margin Basis

7.19 The concept of a notional company was reviewed during our most recent supply price control (SPC25) for Power NI.

7.20 We understand the concept of a notional company and note that Ofgem, which regulates large numbers of similar companies across GB, routinely sets price controls on a notional company basis. However, UR has historically not sought to do this. Instead, we have set each price control on the basis of each company's individual circumstances. We propose to continue this consistent regulatory approach in the SPC27 Price Control, taking account of the facts which UR is faced with at the time the gas retail decision is to be made. These facts include the structure of the gas retail businesses at the time of the SPC27 Final Determination.

UR Proposed Approach

7.21 Both suppliers still retain a similarly dominant position in supply to price regulated customers, as well as cost pass-through of volatile wholesale costs (including costs of credit) plus, the freedom to change tariffs at any time of the year in order to collect under-recoveries and future increased forecast costs.

7.22 We intend to complete a review of the gas retail margin to determine an appropriate level of margin for the SPC27 Price Control. In order to help us complete this review, we propose to request that the price regulated companies include, alongside their BEQ submission, an estimate of the margin required for SPC27, inclusive of backing calculations and reasoning for any assumptions. We propose to maintain the approaches mentioned to financeability and proposed margin basis.

Q10. Do respondents agree on the proposed approach to determining the margin for FES and SSE Airtricity during SPC27? Additionally, do respondents agree on the proposed approach to financeability and proposed margin basis.

8. TIMETABLE

8.1 The following timetable highlights the various stages of the price control review process and (approximately) when UR expects each milestone to be achieved for both price regulated suppliers.

Table 1: Price Control Review timetable

Date	FES	SSE Airtricity
4 July 2025	SPC27 Combined Open Consultation Approach Doc (6-week consultation)	SPC27 Combined Open Consultation Approach Doc (6 week-consultation)
6 Nov 2025	BEQ Request and Final Approach Doc	BEQ Request and Final Approach Doc
8 Jan 2026	UR Receive BEQ	UR Receive BEQ
4 May 2026	Draft Determination (8-week consultation)	
4 June 2026		Draft Determination (8-week consultation)
2 Sep 2026	2 September - Final Determination 2 September - licence mods issue for 28-day consultation Article 14	
21 Oct 2026	Publish Article 14 for licence on 21 October to begin 56-day period	
29 Oct 2026		29 October - Final Determination 29 October - licence mods issue for 28-day consultation Article 14.
16/17 Dec 2026	16 Dec End of 56 days	Publish Article 14 decision on 17 Dec beginning 56-day period
1 Jan 2027	Effective Start Date 1 Jan 2027	
11 Feb 2027		11 Feb End of 56 days
1 April 2027		Effective Start Date 1 April 2027

9. CONSULTATION RESPONSES

Consultation Questions

9.1 As part of the draft approach to SPC27, UR is posing the following series of questions to interested stakeholders:

Q1: Do respondents consider that the existing structure and form remains appropriate for SPC27? If not, please explain what changes to the structure and form you believe should be made.

Q2. Do respondents consider that the proposed scope/customer coverage for those markets set out in paragraph 4.7 is appropriate for SPC27? We also welcome feedback on small I&C customers in the West and whether you believe this should be included in SPC27.

Q3. Do respondents agree with the proposal that a duration of four years for SPC27 is most appropriate? If not, please explain what you consider a more appropriate duration would be and why.

Q4. Do respondents agree with the proposal that network costs should be treated as pass-through for the next SPC27 Price Control? If not, please explain why.

Q5. Do respondents agree with the proposal that wholesale gas costs should be treated as pass-through for the next SPC27 Price Control? If not, please explain why.

Q6. Do respondents agree with this proposed approach to supply operating costs for SPC27? If not, please explain why.

Q7. Do respondents agree with this proposed approach to uncertain costs for SPC27? If not, please explain why.

Q8. Do respondents agree with this proposed approach to business separation? If not, please explain why.

Q9. Do respondents agree with this proposed approach to review the variable costs for SPC27 and adjust as appropriate depending on individual company circumstances? If not, please explain why.

Q10. Do respondents agree on the proposed approach to determining the margin for FES and SSE Airtricity during SPC27? Additionally, do respondents agree on the proposed approach to financeability and proposed margin basis.

We also welcome feedback from consumers on any additional issues connected to this price control.

Responding to this consultation

9.2 Responses to this consultation should be submitted to UR by 4pm on 13 August 2025 for the attention of Aidan Girvan.

9.3 Our preference is that responses are submitted via email to:

aidan.girvan@uregni.gov.uk
gas_retail_responses@uregni.gov.uk (CC)

9.4 Alternatively, responses can be submitted to:

Aidan Girvan
Utility Regulator
Millennium House
Great Victoria Street
Belfast
BT2 7AQ

9.5 This document is also available in accessible formats and can be requested from:

aidan.girvan@uregni.gov.uk

Publication of responses

9.6 Your response may be made public by the Utility Regulator. If you do not want all or part of your response or name made public, please state this clearly in the response by marking your response as 'CONFIDENTIAL'.

9.7 If you want other information that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act 2000, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential.

9.8 Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 and the Data Protection Act 2018.

9.9 As stated in the GDPR Privacy Statement for consumers and stakeholders[3], any personal data contained within your response will be deleted once the matter being consulted on has been concluded, though the substance of the response may be retained.

[3] GDPR - Privacy Notice (consumers and stakeholders) | Utility Regulator

9.10 Copies of all documents can be made available in large print, Braille, audio cassette and a variety of relevant minority languages if required.

Next steps

9.11 Once all responses to the consultation have been considered, we plan to publish our final approach to the SPC27 Price Control in November 2025.

10. ANNEX 1 – COST DRIVERS (FES)

Table 2: FES' current apportionment cost drivers for SPC23. These costs will be allowed through the S_t term and, if retrospectively adjusted, through the K_{st} term of the gas supply licence.

Cost	Driver
Manpower	FTEs
Entertainment	FTEs
Training	FTEs
Travel and Subsistence, incl. Fleet Costs	FTEs
Recruitment Costs Contract staff	FTEs
Office Costs, incl. stationery, telephone and postage	FTEs
Rates	FTEs
Professional and Legal Fees	Load in therms
Insurance	FTEs
IT Opex	Customer bills
IT Capex	Customer bills
Licence Fee	Load in therms
Network Maintenance, incl. safety inspections	firmus care customers[4]
Call Centre	Customer numbers
Advertising, Website and Sales Development	Customer numbers
Supplier of Last Resort	Customer numbers
Bad debt	Credit Revenue[4]
PayPoint costs, incl. PAYG cards	PAYG customers[4]
Credit Check Costs	Customer numbers
Bank and Interest Charges	Load in therms
Meter reading	Customer numbers[4]
Customer Information, Bill Processing and Postage	Customer numbers[4]

[4] This is how this cost line is apportioned for SPC23 Final Determination. This cost is then retrospectively adjusted to actual numbers.

11. ANNEX 2 – COST DRIVERS (SSE AIRTRICITY)

Table 3: SSE Airtricity's current apportionment cost drivers for SPC23. These costs will be allowed through the S_t term and, if retrospectively adjusted, through the K_{st} term of the gas supply licence.

Cost	Driver
Manpower	FTEs
Staff Engagement	FTEs
Training	FTEs
Recharges	FTEs
Travel and Subsistence	FTEs
Office Costs, incl. stationery, telephone and postage	FTEs
Rates	FTEs
Professional and Legal Fees	Customer numbers
Insurance	FTEs
IT Opex	Customer bills
IT Capex	Customer bills
Licence Fee	Load in therms
Network Maintenance, incl. safety inspections	SSE Airtricity Energy Care Scheme customers
Customer Engagements	Customer numbers
Bad debt	Credit Revenue[5]
PayPoint costs & Credit Check Costs	PAYG customers
Bank and Interest Charges	Load in therms
Meter reading	Customer numbers[5]
Customer Information, Bill Processing and Postage	Customer numbers[5]
Tracing Costs	Customer numbers
Text Alerts	Tariff only

[5] This is how this cost line is apportioned for SPC23 Final Determination. This cost is then retrospectively adjusted to actual numbers.

Utility Regulator

12. ANNEX 3 – PROPOSED APPROACH FOR P_{st} TERM

Table 4: Proposed approach for costs within P_{st} term, noting that retrospective adjustments will be considered in further detail as part of the price control process.

Retrospective cost line	Determination Basis (SSE Airtricity)	Determination Basis (FES)
Network costs	Pass-through cost	Pass-through cost
Wholesale gas costs	Pass-through cost	Pass-through cost
Prepayment transaction costs (within Billing costs)	Retrospective adjustment	Retrospective adjustment
Bad debt (within Billing costs)	Retrospective adjustment	Retrospective adjustment
Meter reading costs (within Billing costs)	Retrospective adjustment	Retrospective adjustment
Customer Information processing and postage (within Billing costs)	Retrospective adjustment	Retrospective adjustment
Safety Inspections and Meter Exchanges (within Operations costs)	Retrospective adjustment	Retrospective adjustment
Information Technology (within Operations costs)	Retrospective adjustment	Retrospective adjustment