

GAS RETAIL SUPPLY PRICE CONTROLS 2027

SPC27

UR Final Approach

6 November 2025

www.uregni.gov.uk

**Utility
Regulator** 

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 Millennium 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 and Enforcement. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

OUR MISSION

To protect the short and long-term interests of consumers of electricity, gas and water.

OUR VISION

To ensure value and sustainability in energy and water.

OUR VALUES

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

This document sets out Utility Regulator's (UR) final 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 second in a series of documents which UR will publish relating to the price controls under this SPC27 project. This document outlines UR's final 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

This document will be of interest to all electricity and gas licensees. Government departments, organisations representing consumer interests and other stakeholders will also be interested given the potential for greater transparency

CONSUMER IMPACT

This document sets out UR's final 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.

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Annex B	Firmus Energy (Supply) Limited approach consultation response
Annex C	CCNI approach consultation response

Executive Summary

This Final Approach 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. The price control will apply to tariffs in the distribution network licence areas where the companies are the dominant domestic and small industrial and commercial (I&C) gas supplier. 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.

We have provisionally concluded to price control the domestic and small I&C markets, with the exception of the small I&C market in the West. However, we plan to gather further information on all the small I&C markets before making a more informed view at draft determination.

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.

We intend to set a four-year price control. This will align with the current gas supply price control SPC23 and provide an opportunity for UR to analyse an additional year of outturn costs.

We consulted on our plans for SPC27 between July and August 2025 and we received three responses to the consultation. We appreciate the time taken by the stakeholders to respond to the consultation and acknowledge their contribution in developing this Approach.

The next key stage will be the completed Business Efficiency Questionnaire (BEQ), which we expect to receive from both companies by 8 January 2026, along with any accompanying documentation such as the estimation of margin. Following consideration and assessment of the submitted information we will prepare our draft determinations, which we plan to publish in 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.

1. Introduction

Background

- 1.1 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.
- 1.2 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.
- 1.3 In Northern Ireland, 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 Kinecx Energy Ltd (formerly known as Firmus Energy Distribution Limited), and the West is served by Evolve Ltd.
- 1.4 There are currently two price regulated gas supply companies in Northern Ireland:
- 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 Energy supply business in November 2024 and that it has acquired and is retaining the Firmus energy brand for the purposes of the supply business.)
- 1.5 The Greater Belfast market has been open to competition since 2007, and as set out in the 2025 Q2 REMM report¹ there are approximately 259,172 connections to the gas network. Currently, there are six active suppliers in the market. 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.

¹ [REMM Transparency Reports 2025 | Utility Regulator](#)

- 1.6 The West area has just below 5,000 customers in the market, and SSE Airtricity remains the sole supplier to domestic customers.
- 1.7 The Ten Towns gas market has approximately 75,062 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

UR Strategic Approach to Northern Ireland Energy Gas Retail Markets

- 1.8 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.
- 1.9 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.
- 1.10 At this time, in the small I&C markets we envisage that price controls will need to remain in place in Greater Belfast and the Ten Towns area. However, we received feedback from respondents regarding the small I&C market in the West, which we will discuss further in chapter 3 of this document along with other issues relating to the scope/coverage.

About this Document

- 1.11 The purpose of this document is to outline the final approach and timetable that UR is currently using in relation to setting the next price controls for the gas supply companies.
- 1.12 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.
- 1.13 We intend for this process to be transparent and structured. To that end this document highlights the main issues likely to affect each control, as well as our initial decision on how we intend to address those issues. 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.

- 1.14 This final approach document sets out our intention to undertake a price control which will regulate the tariffs for the domestic consumers for both SSE Airtricity and FES beginning in 2027. Further consideration for small I&C consumers in the West will be considered in the draft determination. While we anticipate that small I&C consumers will remain regulated in Greater Belfast and the Ten Towns area, further consideration will also be given to this at draft determination stage.

Consultation to this Approach

- 1.15 The publication of this final approach follows a consultation on our Draft Approach published in July 2025. We received three responses to the consultation. The non-confidential responses were received from:
- a) SSE Airtricity
 - b) Firmus Energy Supply
 - c) Consumer Council for Northern Ireland (CCNI)
- 1.16 These three non-confidential responses have been published alongside this document.

2. Structure and Form

2.1 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:

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

2.2 In any given year, t:

- a) **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 in Relevant Year t.
- b) **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 in Relevant Year t.
- c) **S_t** means the allowed operating charge in pence per unit of gas supplied by the Licensee to Regulated Premises in Relevant Year t.
- d) **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.
- e) **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).
- f) **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 S_t term, but in each case subject to a determination by UR of what is reasonable and efficient spend in Relevant Year t.

2.3 Network, wholesale, operating costs and margin are discussed later in this document.

2.4 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.

2.5 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.

Stakeholder responses to UR's Proposed Approach

- 2.6 In our consultation document, we did not propose to make any changes to the current structure and form of the two price controls. However, we stated our intention 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. The question below was posed to stakeholders in the consultation:

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.

- 2.7 SSE Airtricity were broadly content with the existing structure and form, welcoming reassessments of the supply operating costs, where necessary.
- 2.8 FES also considered the existing format to be appropriate and welcomed a review of supply operating costs, E_t uncertainty mechanism and 'unknown exceptional costs' where appropriate.
- 2.9 CCNI stated that UR should review and assess the cost submission, in particular those recovered through the E_t uncertainty mechanism; and the allowed returns, both to ensure that customers pay a fair price for their gas supply and to enable the companies to manage their businesses efficiently.

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- 2.10 UR intends to maintain the approach as was consulted on in the proposed approach for SPC27. We respond to the stakeholder points on the specific aspects of the framework in the relevant sections below.

3. Scope and Coverage

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

SSE Airtricity

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

3.3 In Greater Belfast, SSE Airtricity holds 84% domestic market share. In addition, the latest quarterly transparency report published² by UR shows that SSE Airtricity currently holds 57% market share in the small I&C market in Greater Belfast.

3.4 In the West area, SSE Airtricity holds 100% of the domestic market and there are currently no competing suppliers.

3.5 Within the small I&C customer market in the West area, SSE Airtricity holds a market share below 50%. We note that there are only 74 small I&C gas connections currently in total in this area and 15 of these consumers relate to SSE. We describe this sector further in the information below.

Firmus Energy Supply

3.6 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.

3.7 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.

Stakeholder responses to UR's Proposed Approach

3.8 Given the current dominant market shares of both SSE Airtricity and FES in the domestic market in their respective areas, we assessed that this dominance is likely to persist over the SPC27 period. Therefore, we proposed to maintain a price control for the domestic customer bases. We also proposed to maintain a price control for small I&C customers in

² [REMM Transparency Reports 2025 | Utility Regulator](#)

Greater Belfast for SSE Airtricity and in the Ten Towns area for FES, as our provisional view is that dominance is also likely to persist in these areas.

- 3.9 For small I&C customers in the West we sought respondents' feedback on whether this should be maintained in the price control. We noted that the price control covers the period 2027–2031, so we consider that our decision should be based on a forward-looking assessment, as well as current market conditions.
- 3.10 The question below was posed to stakeholders in the consultation:

Q2. Do respondents consider that the proposed scope/customer coverage for those markets set out in paragraph 4.7 [of the Draft Approach] 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.

- 3.11 SSE Airtricity acknowledged, and FES agreed with our proposal to continue to price control both in the current respective domestic markets. The same response was provided concerning price control for the small I&C customers in Greater Belfast for SSE Airtricity and in the Ten Towns area for FES. While FES agreed with the proposed approach, it did highlight that an appropriate mechanism should be put in place to remove small I&C customers from the regulated tariff in the Ten Towns area if competition increases.
- 3.12 SSE Airtricity and FES felt regulation was unnecessary in the West for small I&C customers, noting that it is not aware of any current or forward-looking factors that would give rise to price regulation.
- 3.13 CCNI commented that where a dominant position is held, it believes it is in the best interests of consumers to retain a price control. CCNI refrained from commenting on the small I&C in the West due to lack of information.

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- 3.14 We note that stakeholders did not disagree with our proposals with respect to the domestic markets. Given the current dominant market shares of both SSE Airtricity and FES in their respective areas we consider that this dominance is likely to persist over the SPC27 period. Our approach position is therefore that we will continue to maintain a price control for the respective domestic markets.
- 3.15 We also note that stakeholders did not disagree with our proposal to maintain a price control for SSE Airtricity in the small I&C market in Greater Belfast. However, in light of stakeholder views on the other small

I&C markets we have undertaken further review of these markets and considerations of market dominance.

- 3.16 In the decision paper for Power NI for the 2014-2017 Price Control³, UR had set a market share level of 50% as the threshold for consulting on the possible removal of a control on Power NI tariffs. This paper set out a roadmap that would automatically trigger a consultation on further price deregulation in the non-domestic sector.
- 3.17 This paper noted:
- The relevant supplier must have a combined market share (by consumed units) of less than 50% for two consecutive quarters; and
 - There must be a minimum of three independent suppliers, each of which has at least a 10% share of consumed units in the relevant market.
- 3.18 In this paper the UR did not suggest that an automatic trigger for a consultation would necessarily involve the lifting of all or part of the residual price control but merely the consideration of whether a further reduction in scope should occur. We would expect this to be subject to a range of factors, having regard in particular to the fact that in the case of the smaller non-domestic customers the need for consumer protection measures can be expected to be greater.

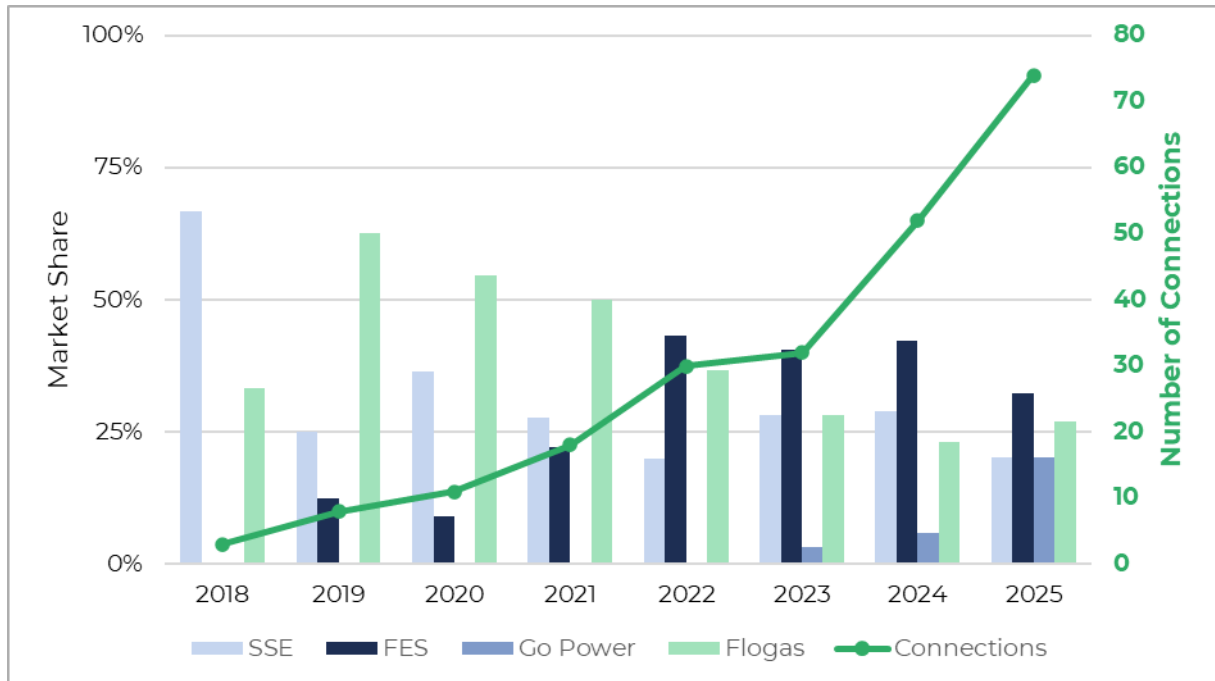
Provisional de-regulation of price control for small I&C customers in the West (SSE Airtricity)

- 3.19 With respect to the small I&C customer market in the West, we have undertaken further analysis which shows SSE's market share currently sits below 50% (the legal threshold for defining market dominance), as illustrated in Figure 3.1. These business customers consume <73,200 kWh per annum and therefore fall within the wider EUC1 group, which predominantly represents domestic users, and over which SSE Airtricity holds a 100% market share.
- 3.20 When Gas to the West (GttW) initially took effect in 2017, SSE Airtricity was the first and only supplier serving small I&C customers in the region, with Flogas entering the market shortly after in early 2018. By Q4 of 2018, there were six small I&C connections in the region (50:50 between SSE Airtricity and Flogas). FES entered the market in Q2 of 2019, serving only one customer for its first year, while SSE Airtricity and Flogas continued to gain customers. The number of connections has since grown to 74 (UR QREMM, 2025 Q2), 15 of which belong to SSE Airtricity (20% market share).

³ [2014 Power NI Supply Price Control Decision paper](#)

There are currently four gas suppliers serving business customers in the West: SSE Airtricity, FES, Flogas and Go Power.

Figure 3.1: Evolution of the Small I&C Market in the West

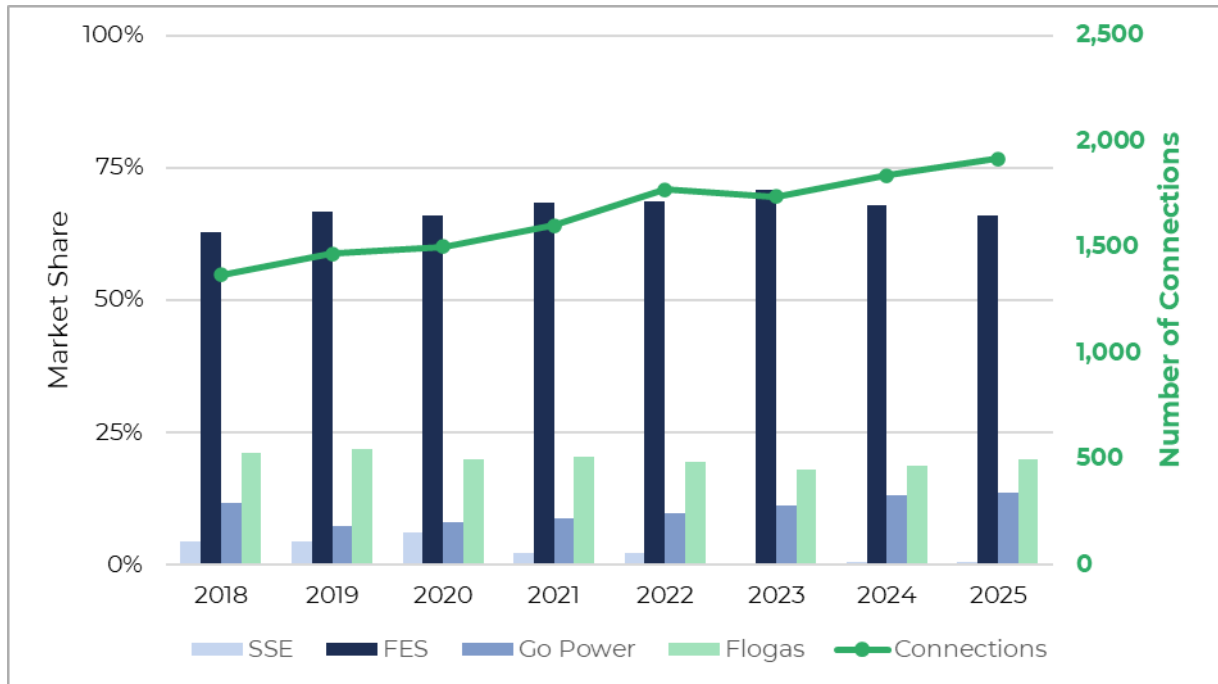


- 3.21 During the determination of SPC17 (the first price control to include GttW), SSE Airtricity was the only licensed domestic supplier in the West, so the decision was made to simply mirror the price control regime in place for SSE Airtricity in Greater Belfast. Between the low uptake and low competition of small I&C in the West at the start, regulating SSE Airtricity in that regard was a reasonable decision. Looking at data eight years on, the small I&C market in the West is now in a much more competitive state, with four suppliers in play and each sharing roughly a quarter of the market, not to mention steady growth year-on-year. This then poses the question of whether SSE Airtricity should be deregulated with respect to the small I&C market in the West.
- 3.22 We also consider that it would be appropriate to take future projections into account as well. This data is obtained from the suppliers in the form of their BEQ submissions, which won't be received until early 2026. Therefore, a decision on deregulation at final approach stage would have to be taken without a proper forward-looking analysis.
- 3.23 There's also current uncertainty as to how removing small I&C customers from scope will impact tariffs. For comparison, the last time UR sought deregulation in the Gas Retail market was during SPC17 when EUC2 customers in Greater Belfast fell out of scope, and work to this effect was also carried out at determination stage.

- 3.24 Given the lack of future projections at this stage, and in the light of similar work previously undertaken by UR, making a firm decision on deregulation at this early stage wouldn't be a fully informed one. To gather further information, we will increase the granularity and range of data provided in the BEQ. This includes a breakdown of customer numbers and consumption data for each region and a further 3 years of forecast data beyond the end of SPC27. It's also worth noting that this piece of analysis is solely based on the number of connections attributed to each supplier, as UR doesn't historically have granular consumption data. We will aim to gather more information on this.
- 3.25 On this basis, our current view is that the small I&C market in the West should not be subject to price control regulation. However, in light of stakeholder comments seeking further information, we propose to gather further forward-looking information and market share by consumption data before making a more informed draft decision as part of our draft determination next year.

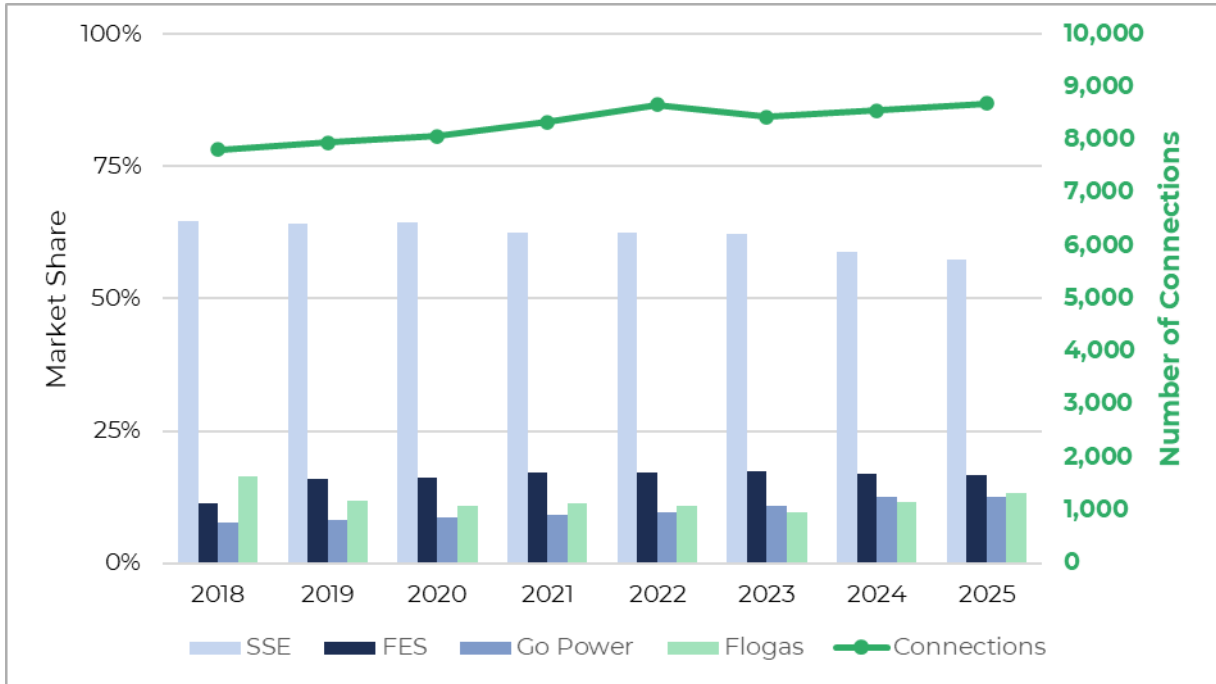
Ten Towns and Greater Belfast small I&C markets

- 3.26 With respect to small I&C customer market in the Ten Towns area, we note FES' comments that an appropriate mechanism should be put in place to remove small I&C customers from the regulated tariff if competition increases. We have assessed this issue by reviewing the small I&C market competition development and movement in Ten Towns and Greater Belfast. We have not considered the West market on this issue as it is much less well developed and has a much lower level of connections.
- 3.27 Out of the four suppliers in the Ten Towns, FES has consistently held a dominant position with >60% of the market share over recent years, peaking at 70% in 2023. While this has since dropped to a current share of 66%, Figure 3.2 below shows that FES has generally tended to recover well from any year-on-year losses in market share. To that effect, it would therefore seem unlikely to expect FES to lose enough market share before the end of the next price control period (2031) to warrant deregulation.

Figure 3.2: Evolution of the Small I&C Market in the Ten Towns

- 3.28 Looking then at the small I&C market in Greater Belfast illustrated in Figure 3.3 below, out of the same four suppliers, SSE Airtricity continues to hold a dominant position in the area with a current market share of 57%. That being said, its share has been eroding in recent years, and while neither would constitute a trend towards market dominance, FES and Go Power have conversely made considerable gains. It may be too early to say with certainty, but Flogas also appears to be recovering from its market share low of 10% in 2023 (currently 13%).
- 3.29 Based on the rate at which SSE's share has dropped since 2018, one could assume that by the end of SPC27, the company will be close to breaching the 50% threshold. This doesn't take into account any increased competitive behaviour by the other suppliers in the area, which may accelerate a loss in market share for SSE, but it also doesn't consider any plans SSE Airtricity may have in place to recapture lost customers over the coming years. In either event, it can be expected that SSE Airtricity will remain to be the market leader in the area for the foreseeable future and should remain within the scope of the upcoming price control.

Figure 3.3: Evolution of the Small I&C Market in Greater Belfast



3.30 On this basis, our current view is that the small I&C market in the Ten Towns area should also remain subject to price control regulation. However, we propose to gather further forward-looking information for all distribution network areas. This will include granular consumption and connections data extending 3 years beyond the SPC27 period, allowing us to make a more informed draft decision as part of our draft determination in 2026.

4. Duration

- 4.1 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.
- 4.2 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.
- 4.3 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.
- 4.4 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.
- 4.5 We proposed a four-year duration for SPC27 as the most appropriate option. The question below was posed to stakeholders in the consultation:

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.

Stakeholder responses to UR's Proposed Approach

- 4.6 SSE Airtricity supported a four-year price control and our reasoning (along with appropriate E_t uncertainty mechanism terms,) and said that it offers a reasonable balance for business planning.
- 4.7 FES recommended shortening the length of the price control back to three years, along with an uncertainty mechanism for exceptional costs, as well as changing the base year from 2024 to 2025. Its rationale is to allow for considerable gas market change (it noted emerging technologies for metering, billing, customer interaction and dual fuel, the transition to lower carbon fuel alternatives) and to allow for additional

post-acquisition costs to the baseline. It considers that this could balance efficient costs to consumers with a viable operating position post-acquisition.

- 4.8 CCNI supported a duration of a four-year price control to strike an effective balance between regulatory oversight and market stability.

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- 4.9 We note FES' view on changes to the market and the recent acquisition.
- 4.10 We consider that a four-year price control for SPC27 is most suitable. To the extent that there is change, we note that we can make use of uncertainty mechanisms for appropriate and efficient cost categories. We set out our final approach to uncertainty mechanisms in paragraphs 5.30 to 5.34 below. We also note that the majority of stakeholders remain in favour of the four-year price control, including SSE, who would potentially face many similar change drivers as FES.
- 4.11 UR have considered the request to use 2025 as a base year from FES. Our current view is that 2024 will remain the base year for the SPC27 price control. The reason for this is that we will have access to financial data from both the 2024 and 2025 years. If we use 2025 as a base year any inefficiencies would potentially be more difficult to identify.

5. Treatment of Costs

- 5.1 This section of the document discusses the proposed approach to the treatment of costs within the gas supply price controls. Additionally in Appendix 3 there is a summary of the proposed treatment of these costs for SPC27.
- 5.2 The gas supply price control determines the treatment of each of the costs which make up the maximum average price, which are:
- a) Network Costs
 - b) Wholesale Gas Costs
 - c) Supply Operating Costs

Network Costs

Stakeholder responses to UR's Proposed Approach

- 5.3 Network costs cover the charges for the use of the Northern Ireland gas transmission and distribution systems. These charges are reviewed and approved by UR under the price control frameworks with the relevant gas network companies.
- 5.4 The costs for the transmission system are those costs involved in bringing gas from Scotland to Northern Ireland, via the Scotland to Northern Ireland Pipeline (SNIP), and all the transmission pipelines within Northern Ireland.
- 5.5 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.
- 5.6 In the current and all previous price 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 proposed in our SPC27 Draft Approach to retain the pass-through treatment. The question below was posed to stakeholders in the consultation:

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.

- 5.7 All respondents agreed with the proposed approach to network costs.

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- 5.8 Network costs will be treated on a pass-through basis for the next SPC27 price control.

Wholesale Gas Costs

Stakeholder responses to UR's Proposed Approach

- 5.9 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.
- 5.10 We proposed in our SPC27 Draft Approach 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. The question below was posed to stakeholders in the consultation:

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.

- 5.11 All respondents agreed with the proposed approach to wholesale gas costs.

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- 5.12 Wholesale gas costs will be treated on a pass-through basis for the SPC27 price control.

Supply Operating Costs (Opex)

Stakeholder responses to UR's Proposed Approach

- 5.13 In our SPC27 Draft Approach, we proposed 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 opted for this approach on the basis that the cost allowances that were set in the previous controls were, for many items, new and increased.

- 5.14 We also said that we will review actual costs versus allowances, and focus our analysis on the larger cost areas and those areas which are forecast to increase significantly over the period of the control. 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 (full time equivalent) allowance, billing, and IT costs.
- 5.15 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 latest best estimate (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:
- a) any net increase in costs is due to exogenous changes in business obligations which is unavoidable and forecast at efficient levels; and
 - b) the company is able to provide compelling evidence for the amounts claimed.
- 5.16 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.
- 5.17 The question below was posed to stakeholders in the consultation:

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

- 5.18 SSE Airtricity supported the proposed approach and encouraged UR to ensure the review fully considers inflationary pressures and the changing landscape.
- 5.19 FES broadly agreed with the proposed bottom-up approach to assessing supply operating costs for SPC27 but reiterated the need for a shorter price control and an uncertainty mechanism for exceptional costs. FES also set out that in light of its business separation from Kinecx Energy it now operates as a standalone organisation and that this should be considered in the review of costs. More specifically, it said that the spreading of shared resource across supply and distribution is no longer

an economy of scale available to FES. Therefore, in order to maintain its exceptional levels of customer service and manage risk on behalf of customers, a rebasing of operational costs is necessary and ongoing. It believed these factors merit closer consideration to ensure that cost allowances remain reflective of actual service delivery requirements and regulatory obligations. It agreed with our view that the burden of proof sits with itself to provide appropriate evidence to justify its position.

- 5.20 CCNI supported our bottom-up approach, focus on high and significantly increasing costs. It also supported the proposal to compare actual costs to current allowances to assist in delivering fair tariffs for consumers, high levels of customer service and accuracy in billing.

UR Final Approach

- 5.21 We note that stakeholders were generally supportive of our approach. UR will determine supply operating costs as described in the Draft Approach. We will assess each cost as is appropriate for the relevant company.
- 5.22 We note stakeholder comments on treatment of costs related to business separation and uncertainty. We respond to these below in the uncertain costs and business separation sections.

Uncertain Costs

Stakeholder responses to UR's Proposed Approach

- 5.23 We explained in our SPC27 Draft Approach that 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.
- 5.24 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.
- 5.25 We said that any costs arising outside of those mentioned in paragraph 5.24 above will not be allowable.
- 5.26 The question below on uncertain costs was posed:

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

- 5.27 SSE Airtricity welcomed the approach to uncertain costs and highlighted the need for updates to the E_t term. SSE Airtricity asked that E_t terms must extend beyond legislative and regulatory change to account for market evolution, for example, industry led project such as the Future Gas Metering Solution.
- 5.28 FES was largely in agreement with our approach but noted that we may need to consider additional costs relating, for example, Future Gas Metering Solutions and future codes of practice (e.g. vulnerable consumers), and asked for a mechanism for unknown, exceptional costs, on a case-by-case basis.
- 5.29 CCNI was largely in agreement with this approach to uncertain costs.

UR Final Approach

- 5.30 Our intention is to proceed with the proposed approach.
- 5.31 We note stakeholder comments on the scope of the E_t and seeking additional costs. The E_t is not open-ended, it is only for additional costs which we determine fall within one of the pre-determined categories at Licence Condition 2.4.3.
- 5.32 However, the intention of the E_t is not to be unnecessarily restrictive within this scope and we consider the guidance set out in the SPC27 draft approach aligns with this principle. For example, a change, such as Future Gas Metering Solutions, may not necessarily be driven by a legislative requirement change. However, we understand that it could, in principle, fit it within the scope of the E_t , should it result in a net increase in costs is due to exogenous changes in business obligations and is unavoidable and sufficiently uncertain. We are aware of and supportive of the industry work that is going to develop future gas metering solutions.
- 5.33 We note FES's comments that unknown, exceptional costs be included within the price control mechanism, to be considered by UR on a case-by-case basis as the need arises throughout the price control period. Our view is that the E_t is sufficient to handle uncertainty.
- 5.34 We will consult further on categories of cost at the draft determination stage, once we have had an opportunity to review the companies' BEQ submissions.

Business Separation

Stakeholder responses to UR's proposed approach

- 5.35 Our Draft Approach to SPC27 set out that Yuno purchased the Firmus Energy 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. We said that FES can have no reason to expect that allowances will be given via the new supply price control for separation costs.
- 5.36 We proposed not allowing any business separation costs as mentioned above. The question below on business separation costs was posed to stakeholders:

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

- 5.37 CCNI agreed with UR's approach.
- 5.38 FES acknowledged UR's position that business separation costs should not be recovered by consumers, but considered that:
- its acquisition by Yuno was conducted through a competitive market process and that the purchase price reflected the valuation of a functioning business, so it would be highly unusual for any bidder to have the requisite knowledge required to "price in" or anticipate all post-separation costs at the time of acquisition. It also said that if allowances are not made for diseconomies of scale from business separation, then it will run a margin much less than the 2% already allowed.
 - it now needs to operate as a standalone business and in order to continue to provide levels of service, it will need to re-base its operational costs accordingly. The sale of the supply business was an anticipatory response to the future regulatory and legal requirement to disaggregate the distribution and supply businesses, ensuring they are legally and operationally separate, including separate governance, branding, and decision-making structures as per the requirements of licence. Such a significant organisational change to comply with legal requirements requires material investment in organisational restructure and investment in people, processes and systems over an extended period.

- there is a distinction between acquisition-related costs and certain post-sale costs that are necessary to ensure continuity of service, regulatory compliance, and operational readiness. These are not discretionary or duplicative costs, but rather essential costs to ensure the supply business can operate independently and meet its licence obligations whilst ensuring supply to customers. Previous economies of scale derived from the sharing of resources across supply and distribution is no longer available to FES.

5.39 SSE Airtricity did not comment on this question.

UR Final Approach

- 5.40 In relation to the point FES make regarding regulatory compliance, FES are referring to the Firmus Energy Distribution Licence (FED) licence conditions, 1.16 and 1.17. These conditions require the company to maintain 'managerial and operational separation' from (among other things) any gas supply business which it, or any of its affiliates or related undertakings, carries on. However, those conditions were designed so that they would only take effect once FED had at least 100,000 premises connected to its distribution network.
- 5.41 The conditions were included in the FED Licence to reflect EU law requirements under Directive 2003/55/EC, subsequently repealed and consolidated as Directive 2009/73/EC (the Directive). Under the Directive, gas network and supply businesses were required to be managerially and operationally independent of each other. The Directive did not, however, mandate full ownership unbundling – i.e. gas network and supply businesses could continue to have a common holding company and therefore a common ultimate owner.
- 5.42 At the time of the disposal, FED had fewer than 75,000 connected premises. As a matter of fact, its obligations under the two licence conditions had not been triggered and were still some distance away (in time) from being triggered, c.2031 if recent (2022 to 2024) connection rates are extrapolated.
- 5.43 Even if they were in due course triggered, the conditions would not require the sale of the FES business. They were concerned, like the Directive that underpinned them, only with managerial and operational separation, not full ownership unbundling.
- 5.44 Considering the points made from 5.40 to 5.43 above, we consider that the sale was a voluntary decision to carry out a corporate restructuring, and that there is no reason why consumers should bear the costs that are associated with implementing that decision. Moreover, with regard to the post-acquisition costs of running the supply business, there is no legal

duty which requires us to pass on to consumers the increased costs resulting from diseconomies of scale that have been caused by the separation of businesses.

- 5.45 While we acknowledge the point FES made around now being a standalone entity, we would re-iterate that any increase in costs from the previous price control will be subject to a robust efficiency challenge to ensure that these costs are efficient. We would be concerned that diseconomies of scale should result in increasing costs for consumers to pay more for the same service they received pre-sale.
- 5.46 We note that while a 2% margin was deemed appropriate for SPC23, we will be re-reviewing it for SPC27 and given the above points, we would not propose to take into account any inefficient costs in setting an efficient margin.

Cost Allocation

- 5.47 Our SPC27 approach explained that the gas supply companies will be required to apportion their costs between affiliated businesses and between price regulated and non-price regulated customers. This apportionment should be in line with the methodology set out in condition 1.2.5 of their gas supply licences.
- 5.48 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 business areas. 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 Appendix 1 and Appendix 2 of this document.
- 5.49 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

Stakeholder responses to UR proposed approach

- 5.50 We explained as part of the SPC27 approach that 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. 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.

- 5.51 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 Appendix 1 and Appendix 2 of this document. 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.
- 5.52 We explained that 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. The question below was asked of stakeholders in the proposed approach.

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.

- 5.53 SSE Airtricity agreed with the proposed approach.
- 5.54 FES generally agreed with this approach, but proposed updates to several cost drivers to better reflect how costs scale with customer growth. FES used the example relating to IT opex and capex cost drivers, which they feel needs changed back to customer numbers as was the case in SPC17.
- 5.55 CCNI supported the proposed review, noting that retrospective adjustment can lead to tariff volatility, whereas fixed allowances provide more stability, and so the majority of the costs should be treated as fixed. CCNI recommended that any changes to the current structure are transparent and appropriate to the relevant supply company.

UR Final Approach

- 5.56 We note all the points made by the respondents. We acknowledge FES may be submitting a proposal for altered cost allocations, which will have to be considered on each individual basis and only considered allowable if deemed appropriate and in the interests of consumers, whilst ensuring the company is financeable. We also acknowledge CCNI's point and can assure stakeholders that any changes to the current structure will be fully transparent.
- 5.57 We note the example FES used in relation to the cost driver used for IT opex and capex in 2017. We would re-iterate that any proposed cost driver change in the SPC27 price control would need to be fully justified by the company and will also be subject to a robust efficiency challenge from UR.

6. Margin

Stakeholder responses to the UR Approach Consultation

- 6.1 This section of the proposed approach document discussed the approach to setting a margin for each of the price regulated energy supply companies.
- 6.2 We noted that both SSE Airtricity and FES currently operate under existing price control provisions with an allowed margin of 2% of allowed revenue.
- 6.3 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 2.2:

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

- 6.4 During SPC17, UR, along with external consultants, carried out a complete review of the margin, using the framework of analysis developed during the 2013 Power NI price control review. This review aimed 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.
- 6.5 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.
- 6.6 UR engaged consultants First Economics and after a review of the paper, UR concluded that the margin for SPC23 should remain at 2%.
- 6.7 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.
- 6.8 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.
- 6.9 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.

- 6.10 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.
- 6.11 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.
- 6.12 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%.
- 6.13 The asset beta in GB is likely to be higher than that of FES and SSE Airtricity within Northern Ireland because of a range of factors relating to how the competitive retail market in gas operates in GB.
- 6.14 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 Northern Ireland gas companies as the Northern Ireland 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.
- 6.15 The price regulated gas tariffs in Northern Ireland 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

- 6.16 We explained as part of the SPC27 Approach Consultation that 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:
- a) the allowed return on equity is no lower than the cost of equity; and

- b) 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.
- 6.17 We explained that an expert review will be carried out on margin to help ensure the first point above is satisfied.
- 6.18 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

- 6.19 We explained as part of the SPC27 Approach Consultation that the concept of a notional company was reviewed during our most recent supply price control (SPC25) for Power NI.
- 6.20 We said that 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 said that 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.
- 6.21 We said that 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.
- 6.22 We said that we intended 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 proposed to request that the price-regulated companies include, alongside their BEQ submissions, an estimate of the margin required for SPC27, inclusive of backing calculations and reasoning for any assumptions. The question below was asked of stakeholders in the proposed approach:

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.

- 6.23 SSE Airtricity agreed with a review of the margin for the SPC27 process, but noted the margin we applied in SPC23 was lower than in GB.
- 6.24 FES also welcomed a review of the supply margin during SPC27, but asked that the approach warrants further development in terms of:
- Financeability Assessments: It said that while the UR proposes to apply financeability tests, the methodology remains unclear, and for asset-light supply businesses such as FES, conventional metrics like interest cover ratios may not be meaningful. It encouraged the UR to focus on profitability-based metrics and to consider sensitivity testing of profit levels under different market scenarios (e.g. wholesale price volatility, bad debt shocks) to assess financial resilience and investability considerations, working/contingent capital and capital structure methodology.
 - Working Capital and Contingent Capital: FES explained that the current approach does not address variable working capital requirements or the cost of contingent capital (e.g. letters of credit, security deposits). It stated that these are material considerations for supply businesses and should be factored into the margin assessment to ensure a realistic view of capital needs.
 - Capital Structure Methodology: FES noted UR's intention to base margin assessments on each company's actual circumstances rather than a notional capital structure. However, it stated that while it understands the rationale, it encourages UR to remain open to the use of a notional company approach, which is standard practice across UK regulators (e.g. Ofgem, Ofwat) and supports consistency and comparability. It also stated that it is committed to supporting the UR's review and will provide detailed evidence as part of its submission, including margin estimates and supporting rationale.
- 6.25 CCNI agreed with our approach to review the margin as part of the SPC27 process, and noted that in setting the margin Northern Ireland suppliers do not face the same level of risk as suppliers in GB.

UR Final Approach

- 6.26 We propose to undertake the approach as set out in our SPC27 draft approach.

- 6.27 We maintain that it is right to continue with our consistent regulatory approach to capital structure methodology in this price control, taking account of the facts which UR is faced with at the time we make our SPC27 final determination. While we note the points made about comparison with GB suppliers, we consider that the context affecting risk and remuneration for Northern Ireland gas suppliers is different, not least from the protections afforded from the Northern Ireland regulatory framework. This latter point is an important point to flag also with respect to SSE's comments about the comparability of the SPC23 and GB supplier margins.
- 6.28 With respect to financeability assessments, we note that the second test we apply as set out in paragraph 6.16 above, may not be directly relevant to this review. However, we note that 'equity financeability' tests, are not a standard part of the regulatory review. However, we consider that they may, if set up properly, help to show how real-life equity investors will look at a business. In setting these up properly, we would be concerned that they are consistent with our principles on capital structure methodology as noted above with respect to setting a margin on the basis of each company individual circumstances rather than on a notional basis.
- 6.29 We intend to analyse the information provided by the companies. It is the responsibility of the company to submit a margin calculation based on their anticipation of what the margin should be. Both contingent and actual capital will be considered in the calculation of margin. It is important to note at this stage that contingent capital is unlikely to receive the equivalent rate of return percentage that actual capital will receive. This is because generally there is inherently less risk in holding contingent capital by comparison with actual capital.
- 6.30 In relation to the point FES make regarding letters of credit as part of the working and contingent capital. It is important to note that FES can submit separate claims for the cost of letters of credit and parent company guarantees as part of the price control mechanisms. This would be in addition to the provision that may be included in the margin calculation for contingent capital. UR will be mindful of this in our assessments and any allowances received through separate mechanisms will be deducted from the margin allowance.

7. Timetable

Table 1: SPC27 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

8. Appendix 1 – Cost Drivers (FES)

Table 2: FES' current apportionment cost drivers for SPC23⁴

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 ⁵
Call Centre	Customer numbers
Advertising, Website and Sales Development	Customer numbers
Supplier of Last Resort	Customer numbers
Bad debt	Credit Revenue ⁵
PayPoint costs, incl. PAYG cards	PAYG customers ⁵
Credit Check Costs	Customer numbers
Bank and Interest Charges	Load in therms
Meter reading	Customer numbers ⁵
Customer Information, Bill Processing and Postage	Customer numbers ⁵

⁴ These costs will be allowed through the S_t term and, if retrospectively adjusted, through the K_{st} term of the gas supply licence

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

9. Appendix 2 – Cost Drivers (SSE Airtricity)

Table 3: SSE Airtricity’s current apportionment cost drivers for SPC23⁶

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 ⁷
PayPoint costs & Credit Check Costs	PAYG customers
Bank and Interest Charges	Load in therms
Meter reading	Customer numbers ⁷
Customer Information, Bill Processing and Postage	Customer numbers ⁷
Tracing Costs	Customer numbers
Text Alerts	Tariff only

⁶ These costs will be allowed through the S_t term and, if retrospectively adjusted, through the K_{st} term of the gas supply licence.

⁷ This is how this cost line is apportioned for SPC23 Final Determination. This cost is then retrospectively adjusted to actual numbers.

10. Appendix 3 – Proposed Approach for P_{st} Term

Table 4: Proposed approach for costs within P_{st} term⁸

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

⁸ Retrospective adjustments will be considered in further detail as part of the price control process.