

SOCIALISATION OF REINFORCEMENT CONNECTION COSTS

**Public Consultation and Notice under Article
14 of the Electricity (NI) Order 1992.**

15/01/2026

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 VALUES ACCOUNTABLE: We take ownership of our actions.
OUR VISION To ensure value and sustainability in energy and water.	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 paper sets out our proposal for modifications to the Annex 2 within NIE Networks Distribution Licence. It proposes to remove text from the terms in the Paragraph 4 (Capex) and Paragraph 6 (Opex).

The proposed modifications reflect the UR's commitment to adopt the policy set out in DfE's published document "Fairer Grid Connection Costs"¹

AUDIENCE

This document will be of interest to anyone that wishes to connect to the Northern Ireland Electricity system. It is likely to be of interest to regulated companies in the energy industry, government, industry groups, consumer bodies, environmental groups and those with an interest in the energy industry and network planning and connecting to the Electricity network.

CONSUMER IMPACT

Any approved costs will increase consumer bills. All costs approved will facilitate new connections to the Northern Ireland electricity system and help enable the energy transition in Northern Ireland which will both benefit consumers and contribute to the achievement of Energy Strategy targets.

¹ <https://www.economy-ni.gov.uk/publications/decision-fairer-grid-connection-costs>

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Executive Summary

On 26 November 2025, the Department for the Economy (DfE) announced reforms to Northern Ireland's (NI) electricity connection-charging policy to improve fairness and support decarbonisation. UR has considered DfE's stated rationale for this policy change and, recognising the potential benefits, proposes these licence modifications to adopt DfE's suggested reforms.

Overall distribution connection costs in NI are comparable to those in Great Britain (GB) and Republic of Ireland (ROI); however, the way in which the overall costs are attributed to the connecting customer and the wider customer base are different.

For customers connecting to the distribution network in NI, the connection costs charged to the customer include the cost of connection assets and any reinforcement required at the connection voltage and one voltage level above. Some stakeholders considered that this created a "first-mover disadvantage" and discouraged the uptake of low-carbon technologies

Under the new policy, reinforcement costs which are triggered by a connection request will be socialised across all consumers, while customers remain responsible for direct connection assets. A High-Cost Cap (£1,000 per kVA for demand; £200 per kW for generation) will limit consumer exposure, balancing fairness with affordability.

To implement the UR's decision to adopt this reform, UR proposes to modify NIE Networks' Distribution licence. Along with NIE Networks, UR will monitor the costs of connections following the decision and will review the High-Cost Cap threshold. The timing and frequency of this review will be discussed and decided with NIE Networks in Q1 2026.

The reason for these modifications is to adopt DfE's policy decision, the effect will enable NIE Networks to recover costs to facilitate the reinforcement element of new connections (subject to cap allowances) and submit projects for approval in relation to the recovery of costs incurred by NIE Networks.

1. Introduction

Purpose of this consultation

- 1.1 The Utility Regulator's (UR) principal objective in carrying out the duties associated with our electricity functions is to protect the interest of electricity supply consumers wherever appropriate by promoting competition between persons engaged in, or in commercial activities, connection with generation, transmission, distribution or supply of electricity.
- 1.2 In line with these duties (as shown in Article 12²) this document sets out for consultation our proposals to modify NIE Networks licence, the licence affected by the proposed changes is:
 - a) NIE Networks Distribution Licence
- 1.3 There is no need to modify NIE Networks' Transmission Licence as the policy decision applies only to the distribution network, which is managed by NIE Networks under their distribution licence.
- 1.4 The licence modification proposals are aimed at adopting DfE's policy³ decision on "Fairer Grid Connection Costs", facilitating the increase of socialisation of connection reinforcement costs. This will allow NIE Networks to recover the costs associated with electricity distribution network reinforcement which is required to facilitate these connections.

Document Structure

- 1.5 This consultation paper is structured in several chapters, as follows:
 - a) Executive Summary - provides a high-level summary of the main reasons for and effects of the proposed licence modifications
 - b) Chapter 1 Introduction - provides an overview of the purpose and structure of this consultation document; it sets out details on how to respond to the licence consultation, equality considerations, as well as the background and licence conditions impacted by the proposed modifications
 - c) Chapter 2 – Provides the background to the work involved leading up to DfE's publication of "Fairer Grid Connection Costs".

² <https://www.legislation.gov.uk/isi/2003/419/data.pdf>

³ <https://www.economy-ni.gov.uk/sites/default/files/2025-11/Fairer%20Grid%20Connection%20Costs.pdf>

- d) Chapter 3 – illustrates the revised policy decision taken by DfE
- e) Chapter 4 – Highlights the proposed additional terms and definitions to NIE Network's Distribution Licence.
- f) Chapter 5 - sets out the reasons for and effects of the Licence Modifications
- g) Chapter 6 – highlights the next steps, setting out the indicative timetable for the licence modification process
- h) Chapter 7 Annex A – fulfils the requirement of Article 14(2) of the Electricity (Northern Ireland) Order 1992 - NIE Networks Distribution Licence. Annex B – Sets out the proposed modifications to NIE Network's Distribution Licence in full. Within the annexes, proposed deletions are indicated by text that has been struck through in red.

Responding to this Consultation

- 1.6 UR welcomes industry and stakeholder views and comments on the outlined licence modification proposals and their effect. Any representations or objections with respect to the proposals may be made on or before 5pm on 17 February 2026:
 - Kenny McPartland, Utility Regulator, Millennium House, 16-22 Great Victoria St, Belfast BT2 7AQ.
 - Email: kenny.mcpartland@uregni.gov.uk, jody.oboye@uregni.gov.uk and Electricity_Networks_Responses@uregni.gov.uk
- 1.7 UR's preference would be for responses to be submitted by email.
- 1.8 Individual respondents may ask for their responses (in whole or in part) not to be published, or that their identity should be withheld from public disclosure. Where either of these is the case, UR will also ask respondents to supply the redacted version of the response that can be published.
- 1.9 As a public body and non-ministerial government department, UR is required to comply with the Freedom of Information Act (FOIA). The effect of FOIA may be that certain recorded information contained in consultation responses is required to be put into the public domain. Therefore, all responses made to consultations will be discoverable under FOIA, even if respondents ask us to treat responses as confidential, even if respondents ask us to treat them as confidential. It is therefore important that respondents take account of this. Respondents requesting

confidentiality should specify why the information should be treated as such.

- 1.10 UR has published a privacy notice for consumers and stakeholders which sets out the approach to data retention in respect of consultations. This can be found at <https://www.uregni.gov.uk/privacy-notice> or, alternatively, a copy can be obtained by calling 028 9031 1575 or by email at info@uregni.gov.uk.
- 1.11 This paper is available in alternative formats such as audio, Braille, etc. If an alternative format is required, please contact the office of UR, which will be happy to assist.

Equality Considerations

- 1.12 As a public authority, UR has a number of obligations arising from Section 75 of the Northern Ireland Act 1998. These obligations concern the promotion of equality of opportunity between:
 - a) persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
 - b) men and women generally
 - c) persons with a disability and persons without; and
 - d) persons with dependants and persons without
- 1.13 UR must also have regard to the promotion of good relations between persons of different religious belief, political opinion or racial groups.
- 1.14 In the development of its policies, UR also has a statutory duty to have due regard to the needs of vulnerable customers, i.e., individuals who are disabled or chronically sick, individuals of pensionable age, individuals with low incomes, and individuals residing in rural areas. Some of the above equality categories will therefore overlap with these vulnerable groupings.
- 1.15 In order to assist with equality screening of the proposals contained within this consultation paper, UR requests that respondents provide any information or evidence in relation to the needs, experiences, issues and priorities for different groups which they feel is relevant to the adoption of any of the proposals. Furthermore, UR welcomes any comments which respondents might have in relation to the overall equality impact of the proposals.

2. Background

- 2.1 On 26 November 2025, DfE published its policy decision on “Fairer Grid Connection Costs”⁴, concluding that the current connection charging policy should be reformed. Under the existing policy, customers requesting a new connection, whether domestic demand, business or generation, have been required to pay for any reinforcement to the distribution network triggered by their connection (including connection assets and reinforcement required at the connection voltage and one voltage level up).
- 2.2 That approach has been identified by some stakeholders as creating an unfair disadvantage, particularly to first movers, and disproportionately impacting rural communities, renewable energy developers, and adopters of low-carbon technologies (e.g. EVs, heat pumps).
- 2.3 DfE proposed four options in its January 2025 consultation⁵, ranging from retention of the status quo (Option 1) to full socialisation of reinforcement costs (Option 4).
- 2.4 Most respondents supported full socialisation (Option 4), and DfE concluded that there are strong reasons in relation to fairness and decarbonisation to adopt this option.
- 2.5 To effectively implement UR’s adoption of DfE’s policy, NIE Networks’ Licence needs to be modified to facilitate further socialisation of connection reinforcement costs. This will allow NIE Networks to recover the costs associated with electricity distribution network reinforcement which is required to facilitate connections and would otherwise have been collected from the connectee. NIE Networks will also need to update its Statement of Charges for Connections⁶ to reflect UR’s decision to adopt DfE’s policy.

⁴ <https://www.economy-ni.gov.uk/publications/decision-fairer-grid-connection-costs>

⁵ <https://www.economy-ni.gov.uk/sites/default/files/2025-01/Increased%20socialisation%20of%20connection%20costs%20in%20the%20electricity%20distribution%20network%20-%20Long%20Report%20-%20%28FINAL%29.pdf>

⁶ <https://www.nienetworks.co.uk/connections/statement-of-charges>

3. UR's adoption of DfE's policy decision

- 3.1 DfE has stated this policy decision “*will make the costs of new connections to the electricity grid fairer for many homes and businesses, especially in rural areas, by removing a historic ‘first mover’ disadvantage, a recognised barrier to the connection of homes, businesses and renewable technologies*”.
- 3.2 UR hereby gives notice under Article 14(2) of the Electricity (Northern Ireland) Order 1992⁷ to modify NIE Networks’ Distribution licence⁸ conditions applicable to adopt the new connection charging policy.
- 3.3 Under the revised policy, new connection requests (domestic, business, generation) only the direct connection assets (from the point of connection on the existing network to the customer’s premises or generation point) shall remain chargeable to the connecting party.
- 3.4 Network reinforcement costs required to accommodate the new connection (i.e., upgrades to the existing distribution network triggered by the connection) will, subject to a cap, be socialised across the wider customer base, rather than borne solely by the new connecting customer.
- 3.5 A “High-Cost Cap” will apply to limit the burden on general electricity consumers. In the policy decision, the suggested thresholds were £1,000 per kVA for demand customers and £200 per kW for generation customers. NIE Networks will submit its proposed costs for the High-Cost Cap to UR via the Statement of Charges for Connections, UR will subsequently make a determination on NIE Networks’ submission.
- 3.6 The policy change does not mean that connections will be free: customers remain liable for the cost of their direct connection assets at the level they are connecting at.
- 3.7 UR has considered DfE’s stated rationale for this policy change and, recognising the potential benefits, adopts DfE’s suggested reforms. It is anticipated that the revised connection charging policy could make the costs of the reinforcement of connections to the electricity grid fairer for many homes and businesses, particularly in rural areas, by addressing the historic ‘first mover’ disadvantage. The previous charging arrangements have been identified as a potential barrier to the connection of homes, businesses, and renewable technologies, and this change is intended to help reduce that barrier.

⁷ <https://www.legislation.gov.uk/nisi/1992/231/contents>

⁸ <https://www.nienetworks.co.uk/getattachment/1727f7c7-022c-45db-89c7-b4b5ebb10d14/NIE-Networks-Distribution-Licence-effective-24-05-2023.pdf>

- 3.8 UR also notes that socialising reinforcement costs (subject to a cap) may support greater accessibility and participation in the electricity network, while maintaining protections for general consumers. This approach is expected to align with wider energy transition objectives, facilitate renewable generation, and promote economic development.
- 3.9 UR will monitor the implementation of this policy to assess whether these anticipated benefits are realised and ensure consistency with its statutory duties under the Electricity (Northern Ireland) Order 1992.

4. NIE Networks Licences

4.1 UR grants licences, subject to the satisfaction of certain criteria, to those who wish to engage in electricity activity under Article 10 of the 1992 Electricity Order, such as generation or supply. These licences are issued and maintained under legislative provision conferred by Articles 10, 11, 12 and 13 of The Electricity (Northern Ireland) Order 1992.

4.2 NIE Networks holds both a Transmission and Distribution licence under the Order, however, we are proposing to only amend the NIE Networks Distribution licence. We have attached a more detailed, marked-up version of the proposed changes to the licence in Annex B.

Proposed Distribution Licence Modifications

4.3 We are proposing to amend the Electricity Distribution Licence, Annex 2, Paragraph 4 (Capex), by removing the text below, struck through in red, from the CC_Xt term:

“CC_Xt means the capex connections amount in Regulatory Reporting Year t and for each RAB_X, being the net costs (or net contributions) relating to activities or services subject to the Licensee’s connection charges such that the inclusion is consistent with the Licensee’s Connection Charging Statement as approved by the Authority, and where contributions from connecting parties are included on a cash basis. ~~The capex connections amount shall exclude the cost of alterations to existing connections and shall only include costs of the following types of connection:~~

- ~~i. housing sites with 12 or more domestic premises;~~
- ~~and~~
- ~~ii. Approved Generation Cluster Infrastructure.~~

4.4 In addition, we are proposing to amend the Electricity Distribution Licence, Annex 2, Paragraph 6.7 (Opex), by removing the text below, struck through in red from the OCt term:

“OCt means the opex connections amount in Regulatory Reporting Year t, being the net costs (or net contributions) relating to activities or services subject to the Licensee’s connection charges such that the inclusion is consistent with the Licensee’s Connection Charging Statement as approved by the Authority, and where contributions from connecting parties are included on a cash basis. ~~The opex connections amount shall exclude the cost of alterations to existing connections and shall only include costs of the following types of connection:~~

- ~~i.—housing sites with 12 or more domestic premises;~~
- ~~ii.—Approved Generation Cluster Infrastructure.~~

5. Reasons for and Effects of the Proposed Licence Modifications

- 5.1 The reason for the proposed changes to Annex 2 of the NIEN Distribution Licence is to ensure that the regulatory framework reflects and implements UR's decision to adopt the Department's policy decision on the socialisation of grid connection costs and to enable NIEN to recover those connection costs which it will no longer charge to the customer requesting the connection.
- 5.2 The reason for the proposed removal of the text from both the CC_Xt and OCt terms is because under the current licence, only two categories of connection costs, large housing sites and approved generation clusters can be included in the capex and opex connection amounts. This restriction conflicts with UR's adoption of DfE's decision, which requires that reinforcement costs for all qualifying new or modified connections be socialised. We already socialise much of the reinforcement/development costs (2 levels above the connection voltage level) for the electricity network through works approved under the regulatory price control process e.g. RP7, and these are currently already recovered from customers through electricity bills. These policy changes extend this existing level of socialisation, allowing a higher proportion of connection costs to be added to NIE Network's Regulated Asset Base⁹ (RAB) and then spread across all consumption over the lifetime of the asset.
- 5.3 The reason for the introduction of a High-Cost Cap is to address concerns about an excessive burden being placed on all consumers, balancing fairness and cost-efficiency by limiting how much reinforcement cost can be spread across all consumers.
- 5.4 The effect of removing the proposed wording from the NIE Networks Distribution Licence broadens the scope to include reinforcement costs for all relevant connections. While large housing sites and approved generation clusters are no longer explicitly listed, they still remain within capex and opex totals. This change aligns all new and modified connection reinforcement costs with DfE's policy intent, allowing recovery through electricity tariffs rather than selective charging.

⁹ The Regulatory Asset Base (RAB) is the value of NIE Networks regulated assets (such as transmission and distribution infrastructure) that UR allows it to earn a return on. It represents the capital invested in building and maintaining the network, adjusted for depreciation and additions. [Annex S](#) of the RP7 Final Determination outlines the framework for how the return is recovered on RAB investments

- 5.5 The effect of the modifications will enable NIE Networks to recover costs to facilitate the reinforcement element of new connections (subject to CAP allowances) and submit projects for approval in relation to the recovery of costs incurred by NIE Networks.
- 5.6 The proposed modification aims to eliminate the imbalance where the first customer triggering network reinforcement bears a high cost, while subsequent customers benefit from that reinforcement without contributing (unless they meet the criteria of the Electricity (Connection Charges) Regulations (Northern Ireland) 1992¹⁰). By addressing this, the change will remove the existing “first-mover advantage” and establish a fairer, more equitable cost-sharing approach for all connectees.
- 5.7 This issue is particularly acute in rural areas, where network strength is generally weaker and reinforcement is more likely to be required for new or increased connections, whether demand or generation. DfE has highlighted that respondents agreed rural areas face greater challenges under the current policy, “*responders agreed that rural areas generally have weaker network strength and are therefore more likely to require reinforcement to allow new or increased connections, either demand or generation*”
- 5.8 The effects of these changes are expected to lower barriers to connection, thereby promoting uptake of renewable generation, electric vehicles, heat pumps, and new business connections. This can support decarbonisation goals, enhances regional competitiveness, and encourages economic growth, especially in rural areas.
- 5.9 Under the new approach, NIE Networks will include the cost of network reinforcement, previously paid by individual connection applicants, within its RAB. This means these costs become part of the regulated network assets. Consumers will then pay for these investments gradually over the asset’s lifespan (typically 40 years) through their bills, which cover both the original cost and an allowed return. NIE Networks’ RAB will be adjusted over various price controls due to inflation, depreciation, additions and the Price Control Rate of Return, these elements will impact the future socialised amounts which NI consumers will pay through their tariffs.
- 5.10 The overall effects on the cost to NI consumers of these changes are very difficult to predict. The total cost depends on how many new connections occur, their size, and location. These factors vary year to year and are influenced by various factors, including:

¹⁰ <https://www.legislation.gov.uk/nisr/1992/119/contents/made>

- a) Renewable project pipelines
- b) Market conditions
- c) Planning approvals and grid capacity

Since these variables are unpredictable, any estimate is inherently approximate.

6. Next Steps

- 6.1 This paper represents UR's proposals on modifications to NIE Networks Distribution licence Table 1 summarises the next steps and associated timelines for the licence modification process. We note that timelines are indicative at this stage and may be subject to change.
- 6.2 UR will work with NIE Networks to establish NIE Network's funding mechanisms for establishing socialised network reinforcement costs, and to ensure compliance with the modified licence conditions.
- 6.3 UR and NIE Networks will monitor the costs of connections in NI while reviewing the High-Cost Cap threshold through the life of this policy and will change it if the accumulated data calls for change.

Next Steps	Proposed Date
Notice of proposal to modify NIE Networks Distribution Licence	15 January 2026
Consultation Closes	17 February 2026
Article 14 (8) Notice of decision to modify Distribution Licence published	23 March 2026
Licence modifications effective date (56 days)	18 May 2026

- 6.4 NIE Networks must submit to UR for approval and subsequently publish a revised Connection Charging Statement¹¹, reflecting the new policy.

¹¹ <https://www.nienetworks.co.uk/connections/statement-of-charges>

7. Annexes

7.1 Table 2 provides an overview of the annexes of this consultation document. Annex A sets out the proposed modifications tracked against the current Distribution licence drafting. Annex B represents the notices under Article 14(2) of the Electricity (Northern Ireland) Order 1992 for licence modification proposal.

Annex Number	Annex name
Annex A	Article 14(2) of the Electricity (Northern Ireland) Order 1992 - NIE Networks Distribution Licence
Annex B	Distribution Licence Proposed Modification

Annex A

Notice under Article 14(2) of the Electricity (Northern Ireland) Order 1992 – Modifications Proposed to Annex 2 of the Electricity Distribution Licence Held by Northern Ireland Electricity Networks (Ltd)

THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION

NOTICE UNDER ARTICLE 14(2) OF THE ELECTRICITY (NORTHERN IRELAND) ORDER 1992

MODIFICATIONS PROPOSED TO THE ELECTRICITY DISTRIBUTION LICENCE HELD BY NORTHERN IRELAND ELECTRICITY NETWORKS

The Northern Ireland Authority for Utility Regulation ('the Authority') proposes to modify the conditions of a licence in exercise of the powers conferred on it by Article 14(1) of the Electricity (Northern Ireland) Order 1992 ("the Order").

In accordance with Article 14(2) of the Order the Authority gives notice as follows:

1. The Authority proposes to modify the licence held by Northern Ireland Electricity Networks Limited ("the Licensee") authorising it to distribute electricity in Northern Ireland ("the Licence").
2. The proposed modifications are to Annex 2 – Distribution Charge Restriction Conditions of the Licence.
3. The modifications proposed to Annex 2 are shown in mark-up and strikethrough (as the case may be) at Annex B .
4. The reasons why the Authority proposes to make the licence modifications are set out in chapter 5 of the consultation paper entitled Socialisation Of Reinforcement Connection Costs published on the same date as this notice ("the Consultation Paper").
5. The effects of the proposed licence modifications are set out in chapter 5 of the Consultation Paper.
6. Representations with respect to the proposed modifications may be made on or before 5pm on 17 February 2026 to: Email: to Electricity_Networks_Responses@uregni.gov.uk kenny.mcpartland@uregni.gov.uk and jody.oboyle@uregni.gov.uk
7. The Authority has, pursuant to Article 14(4) of the Order, served a copy of this notice on the Licensee and sent a copy to the Department for the Economy and the General Consumer Council for Northern Ireland.

8. A copy of this notice and the proposed modifications can be obtained in hard copy form from the Authority by contacting Kenny McPartland or Jody O'Boyle at the contact details above.

Yours sincerely,



John French

Chief Executive Officer

Northern Ireland Authority for Utility Regulation (Utility Regulator).

Annex B - NIE Networks Distribution Licence

Electricity Distribution Licence¹², Annex 2 Paragraph 4, (Capex)

4.20. The pass through capex expenditure amount - PTCE_Xt

4.21. For the purposes of this Annex, in each Regulatory Reporting Year t and for each RAB_X, the pass through capex expenditure amount (PTCE_Xt), shall:

a) be the value of capex incurred by the Licensee (excluding QCE_Xt) reasonably allocated or attributed to:

- i. the Distribution Business;
- ii. the Regulatory Reporting Year t; and
- iii. RAB_X; and

b) be calculated as follows:

$$PTCE_Xt = CC_Xt + CCSA_Xt$$

Where:

CC_Xt means the capex connections amount in Regulatory Reporting Year t and for each RAB_X, being the net costs (or net contributions) relating to activities or services subject to the Licensee's connection charges such that the inclusion is consistent with the Licensee's Connection Charging Statement as approved by the Authority, and where contributions from connecting parties are included on a cash basis.

~~The capex connections amount shall exclude the cost of alterations to existing connections and shall only include costs of the following types of connection:~~

- ~~i. housing sites with 12 or more domestic premises;~~
- ~~and~~
- ~~ii. ii. Approved Generation Cluster Infrastructure.~~

CCSA_Xt means the capex connections shared asset amount in Regulatory Reporting Year t and for each RAB_X being the amount that the Authority determines, in a published decision, to be appropriate in respect of Shared Asset Charges payable by the Distribution Business for the connection of the Distribution System to that part of the transmission system that has been funded by a third party pursuant to a connection agreement entered into between that third party and the Transmission System Operator.

4.22 The value of CCSA_Xt in each Regulatory Year t and for each RAB_X shall be

¹² <https://www.uregni.gov.uk/files/uregni/documents/2025-11/NIE%20Networks%20Distribution%20Licence%20-%20effective%2018%2011%202025%20-%20FINAL.pdf>

that which the Authority considers appropriate, and for these purposes:

- a) no allowance may be determined in respect of any outputs or costs that are funded through any other provision of this Annex;
- b) the Authority may follow such procedure as it considers appropriate prior to making its determination, including by providing for any audit, assessment or consultation in respect of the Shared Asset Charges;
- c) the Licensee shall provide such information, including in such manner, format and within such period, as may be required by the Authority (and notified to the Licensee) for the purposes of making its determination; and
- d) the Authority may make its determination subject to conditions with which the Licensee shall be required to comply, including in particular conditions as to any monitoring, audit and reporting in relation to the amount and timings of the Shared Asset Charges.

Electricity Distribution Licence, Annex 2 Paragraph 6, (Opex)

6.6. Pass through opex expenditure amount – PTOEt

6.7. For the purposes of this Annex, in each Regulatory Reporting Year t, the pass through opex expenditure amount (PTOEt) shall:

- a) be the value of opex incurred by the Licensee (excluding QOEt) reasonably allocated or attributed to:
 - i. the Distribution Business; and
 - ii. the Regulatory Reporting Year t; and
- b) be calculated as follows:

$$\text{PTOEt} = \text{OLFt} + \text{OCt} + \text{OCSAt} + \text{OBRAAt}$$

Where:

OLFt is the opex licence fee amount in Regulatory Reporting Year t, being the licence fee apportioned or allocated to or required from the Licensee under Condition 7 of this Licence;

OCt means the opex connections amount in Regulatory Reporting Year t, being the net costs (or net contributions) relating to activities or services subject to the Licensee's connection charges such that the inclusion is consistent with the Licensee's Connection Charging Statement as approved by the Authority, and where contributions from connecting parties are included on a cash basis.

~~The opex connections amount shall exclude the cost of alterations to existing connections and shall only include costs of the following types of connection:~~

- ~~i. housing sites with 12 or more domestic premises;~~
~~and~~
- ~~ii. Approved Generation Cluster Infrastructure.~~

OCSAt means the opex connections shared asset amount in Regulatory Reporting Year t and being the amount that the Authority determines, in a published decision, to be appropriate in respect of Shared Asset Charges payable by the Distribution Business for the connection of the Distribution System to that part of the transmission system that has been funded by a third party pursuant to a connection agreement entered into between that third party and the Transmission System Operator.

The value of OCSAt in each Regulatory Year t shall be that which the Authority considers appropriate, and for these purposes:

- a) no allowance may be determined in respect of any outputs or costs that are funded through any other provision of this Annex;
- b) the Authority may follow such procedure as it considers appropriate prior to making its determination, including by providing for any audit, assessment or consultation in respect of the Shared Asset Charges;
- c) the Licensee shall provide such information, including in such manner, format and within such period, as may be required by the Authority (and notified to the Licensee) for the purposes of making its determination; and
- d) the Authority may make its determination subject to conditions with which the Licensee shall be required to comply, including in particular conditions as to any monitoring, audit and reporting in relation to the amount and timings of the Shared Asset Charges.

OBRAAt the opex business rate amount in Regulatory Reporting Year t, being the payment by the company to Land and Property Service in respect of business rates, the rates payable by the Licensee in respect of hereditaments under the Valuation (Electricity) Order (Northern Ireland) 2003.

The value of OBRAAt in each Regulatory Year t may be reduced by the Authority to the extent that the Authority has concluded that the Licensee has not acted prudently and reasonably when challenging revaluations, maintaining good records and challenging rates bills, and for these purposes:

- a) the Authority may follow such procedure as it considers appropriate prior to making any determination of an adjustment to the opex business rate amount; and

b) the Licensee shall provide such information, including in such manner, format and within such period, as may be required by the Authority (and notified to the Licensee) for the purposes of making its determination.