

UR Consultation – Regulatory Approach to Future Electricity Network Price Controls

Comments from NIE Networks

23 January 2026

NIE Networks welcomes the opportunity to comment on the Utility Regulator’s (UR) consultation paper.

Our responses to the questions posed are as follows.

Lessons learnt

a) Did you consider that UR internal and external resources involved in the RP7 process were at an appropriate level and had the requisite expertise?

Yes.

b) Are there any particular areas which you consider would benefit from further experience in the future along with the nature of the expertise?

No comment.

c) What was your view in relation to the regularity and nature of the engagement with your organisation and with other stakeholders.

Overall, the level engagement between NIE Networks and the UR throughout the development process of RP7, was very good. This statement is true at all levels of engagement, from the various working teams right up to respective Boards of each organisation.

The UR should use the process followed for engagement as a template for future price control development processes.

d) Do you have any views in relation to the structure and duration of the process, including timeline for key milestones.

The duration of the process, including timelines for key milestones, worked well. At least, in terms of allowing sufficient time for the significant level of engagement and analysis required from both NIE Networks and the UR, to deliver a detailed and robust final determination for RP7. However, there is an inherent challenge for both NIE Networks and the UR to not “lock in” on an investment plan (and associated projected costs) too early on. For example, we started developing our Business Plan for RP7 as early as 2021, culminating in a submission to the UR in March 2023. The UR then published its draft determination in November 2023, and the final determination in October 2024. This is a process that requires quite literally years in between critical stages, resulting in plans (and costs) becoming anchored too soon, and certainly well ahead of the time the investment is actually delivered.

We ask the UR to consider then, if there are opportunities to shorten this timeline. Noting that this may require an adjustment from all sides, on the level of detail provided and analysed.

e) Was there a particular method of engagement which you found most effective?

The 'Board sub-group to Board sub-group' sessions and engagements with the Director of Price Controls on significant issues were particularly helpful and effective in engaging and understanding perspectives on key significant issues.

f) Please detail aspects of the RP7 process that worked well and should be continued.

Overall, the RP7 process was very good throughout. Notwithstanding the question we ask on potentially shortening the process timelines, we think the UR should use the process followed for RP7 as a template for future price control development processes.

g) Please detail elements that you believe could be simplified or streamlined? For instance, what level of page limit would you consider appropriate for the business plan.

The approach adopted at RP7 worked very well, whereby the UR gave high-level guidance with regards to what it expected to see in the submissions made by the company. NIE Networks took full account of this guidance as we developed our submissions; but we also felt we could deviate from the guidance where this was necessary and justified. We feel this worked well for both us and the UR.

NIE Networks would advise against imposing page limits on submissions.

h) Your views on what you could improve on or what you would change to enhance NIE Networks' performance.

In our Business Plan for RP7, we proposed a customer service incentive in line with those Ofgem has in place for the GB DNOs. However, this was not adopted in the manner we had envisaged. Instead, the UR opted to consider performance in respect of customer service as part of the Evaluative Performance Framework (EPF).

The UR should be cognisant of the fact it benchmarks us against the GB DNOs whilst also not affording us the significant incentive rewards they are getting. We suggest the UR should consider the value of a broader set of incentive mechanisms in future, as they have made a big difference to the performance of the GB DNOs and thus benefited customers. Well-designed incentives can encourage innovation, service improvement, and proactive investment. These points are true in general but is also particularly pertinent when it comes to customer service.

i) Comments on key issues for consideration for RP8.

As noted previously, we consider that the price control development process for RP7 was effective and successful. The process culminated in a final determination that was broadly acceptable to all interested parties and provides a solid platform to enable delivery of very challenging outcomes from the RP7 programme to support delivery of a sustainable energy system that meets Northern Ireland's energy needs.

Scenarios that may play out during RP7

Despite its success, there will undoubtedly still be unexpected occurrences over the course of RP7 that may result in sub-optimal outcomes. Naturally, it is almost impossible to forecast exactly what these will be; but at this early stage of the RP7 programme, we might hazard a guess of the following.

1. The uptake of low carbon technologies (LCTs) and the move away from fossil fuels through the electrification of heat and transport is slower than expected.
2. A stagnant / weak economy impacting electricity demand growth as strongly as forecast.
3. There are network programme delivery challenges, and significant cost and financeability challenges, caused by:
 - market costs being greater than estimated in the RP7 Business Plan submission and final determination;
 - significant supply chain availability and cost challenges driven by increased global demand, which is not reflected in allowed units costs or inflation adjustment mechanisms;
 - staff recruitment difficulties; and/or
 - planning delays, including legal challenges to planning decisions.
4. Major projects at transmission level, such as the North-South Interconnector, are delayed due to a number of challenges including planning, securing land access and legal challenges.

Points 1. and 2. above would lead to lower electricity demand than forecast. This in turn may result in a perception of capacity-enhancing investments being made absent the need – noting that NIE Networks’ counter to this would be the investment is merely ahead of need.¹

Point 3. may lead to pressures on NIE Networks being able to deliver all the stated outputs or outcomes in the RP7 final determination over the period within its allowances; without significantly damaging and jeopardising NIE Networks’ overall financeability.

Point 4. would have several consequent impacts. A key one being to materially reduce (or rather, delay) investment expenditure during RP7; which in turn would drive up expected expenditure during RP8 and beyond.

We might suggest that UR considers how the above scenarios, should they play out, feature in their planning for and development of RP8 in terms of price control structure.

Looking ahead to RP8, what could the UR consider doing differently?

Looking across to GB is always a sensible place to start, especially as Ofgem is currently in the process of considering its design principles for RIIO-ED3. Having considered the initial ED3 plans, we might suggest the UR considers the following.

- Focus more on outcomes, including incentives that can drive (and fund) these outcomes. RP7 is strong on cost discipline, and the UR’s targeted incentives during RP7 are likely to be effective in delivering the outcomes they are trying to drive. But these outcomes are narrow in focus (CMLs, the EPF) and are limited in terms of financial reward / penalty. The

¹ Although updated scenarios (REGEN – NIE Networks – Distribution network planning scenarios) suggest a slower rate of LCT uptake than previously forecast, this does not diminish the requirement for continued, planned investment in the distribution network. Network investment must anticipate future demand rather than respond reactively, as delaying reinforcement increases the risk of localised capacity constraints, connection delays and higher whole-life costs to consumers.

A longer-term approach to network investment is essential to ensure that decisions deliver efficient, whole-life value for consumers in the context of significant uncertainty around the pace and location of future demand. Taking a longer-term view allows investment to be appropriately sized, coordinated with asset replacement cycles, and designed to accommodate future electrification of transport, heat and distributed generation, while retaining flexibility to adapt as demand materialises. This approach reduces long-term risk, improves network resilience and represents the most cost-effective outcome for consumers over time.

direct / indirect approach to allowances also leads to a very strong focus on 'spend versus allowance'.

By contrast, the totex regime in GB, coupled with a greater focus on outcomes, allows the DNOs to be more flexible and adaptable to changing conditions, enabling investment plans to change more readily when compared to the NI regime. Furthermore, ED3 is moving even further towards a regime of reward tied to delivery of a broader range of commitments and outcomes.

More focus by the UR in future price controls, on driving the delivery of outcomes within a totex financial envelope and not just 'spend versus allowance', will be more effective at driving desirable behaviours and outcomes.

In addition, given supply chain pressures driven by increased global demand and other uncontrollable geo-political changes, consideration needs to be given to how these are more effectively addressed over a 6-year price control period in terms of efficient allowed costs and inflation adjustment mechanisms.

- The significantly increasing projected capital investment over RP7 to RP10, together with significant projected investment for Smart Metering and connection charges socialisation presents very significant financeability challenges for NIE Networks, like those being experienced by the GB DNOs. Initiatives being taken by Ofgem in GB to support and address the very significant financeability challenge including the approach to the Weighted Average Cost of Capital (WACC) and speed of investment and interest recovery need to be considered and adopted for RP8, to ensure NIE Networks is not disadvantaged relative to the GB DNOs with whom it competes for funding.
- Make resilience a core design feature. ED3 is making this more explicit. The UR could consider introducing similarly transparent resilience adaptors / metrics (for example, regarding Critical National Infrastructure, cyber, climate), with appropriate allowances and funding mechanisms to enable the necessary expenditure.
- Review the process for approving Transmission allowances. Our sense is that the scale of the Transmission programme in future price controls may require further standalone joint engagement between SONI and NIE Networks with the UR.

NIE Networks looks forward to future engagement with the UR in due course, as it starts considering the design of RP8.

j) Any other relevant factors for consideration for RP8 that we should be aware of.

See answer to questions h) and i).

Business Plans lessons learnt.

k) Do you agree with the business plan assessment themes, test areas, and questions?

Yes.

l) Do you consider the expectations categories are appropriately defined and balanced?

Yes.

m) Do you consider the features of each category are correct?

Yes.

n) How might this be done in the future, and what feedback or suggestions do you have?

No comment.

Areas of work to be completed during RP7

o) Do you agree with the list included in table 4.1 and that it captures the full extent of the work to be included in the RP7 period as identified in the final determination?

Yes.

p) Would you like to suggest other work that is required to be completed prior to the RP8 price control period?

See answer to questions h) and i).

RP8 indicative timetable

q) Do you agree with the high-level milestones for the RP8 price control as set out above?

See answer to question d).

r) Would you like to provide any comments on the proposed timeline?

See answer to question d).