CONCLUSION OF POWER NI LTD'S REGULATED TARIFF REVIEW

Effective 01 July 2026

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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.

ABSTRACT

Protecting consumers is at the heart of the Utility Regulator's (UR) role and ensuring that customers pay the correct price for electricity from the price regulated supplier Power NI Ltd (Power NI) is a core part of our work.

We commenced an ad-hoc review of the maximum average charge with Power NI in May 2026, with current tariffs in place since October 2025. This was deemed necessary following the conflict in the Middle East and rising wholesale energy prices. We have scrutinised the submission provided by Power NI to ensure that the maximum average charge per unit supplied is not more than the sum of the input costs allowed in the Power NI price control formula.

This ensures that customers pay no more than the efficient costs of purchasing and supplying the electricity plus an agreed profit margin set by the UR.

AUDIENCE

Consumers and consumer groups; industry; political representatives, stakeholders and statutory bodies.

CONSUMER IMPACT

The key outcomes of this review and a summary of the main changes that will take effect from 1 July 2026 are as follows:

a) The current maximum average charge will increase from 30.62 p/kWh (excluding VAT) to 32.52 p/kWh (excluding VAT);

b) This means that a typical bill for an average domestic credit customer will increase from around £1,029 to £1,093 per year;

c) This equates to an increase of approximately 6.2% or £64 per year (including VAT).

Contents Page

1. Utility Regulator's Review of Power NI Ltd Maximum Average Charge

Summary and Key Messages

1.1 In May 2026 the Utility Regulator, in consultation with Power NI, the Department for the Economy (DfE) and the Consumer Council for Northern Ireland (CCNI), began a review of the Power NI maximum average charge for domestic customers. The current maximum average charge has been effective since 1 October 2025.

1.2 Following this process, the UR has approved an increase of the maximum average charge to take effect on 1 July 2026. This means the average annual bill for a domestic credit customer will increase by around £64.

Table 1 – Power NI Average Annual Bill (based on an average 3,200 kWh consumption)

Annual Bill (incl. VAT)	Since 1 October 2025	From 1 July 2026	% Change
Average Annual Bill (£/year) for a **domestic credit customer**	£1,029	£1,093	6.2%

1.3 Table 2 summarises the change to unit rates (excluding VAT) payable by Power NI customers:

Table 2 – Unit rate change (ex. VAT)

Rates and bills	p/kWh
Existing rate (1 October 2025)	30.62
Required increase	6.2%
New rate (1 July 2026)	32.52

Key Outcomes of the Review

1.4 The key outcomes of this review and a summary of the main changes that will take effect from 1 July 2026 are as follows:

a) The current maximum average charge will increase to 32.52 p/kWh (excluding VAT) (which is an increase from the current rate of 30.62 p/kWh (excluding VAT));

b) This means that a typical bill for an average domestic credit customer will increase from around £1,029 to £1,093 per year (including VAT);

c) This equates to an increase of approximately 6.2% or £64 per year (including VAT).

1.5 The increase in the Power NI's maximum average charge is primarily due to:

a) increase in wholesale costs; and

b) increase in network costs

1.6 More details and explanations on the outcomes and changes are provided in the subsequent sections of this briefing paper.

Reasons for the Change

Wholesale Costs

1.7 One of the two key reasons contributing to the increase in Power NI's tariff, is an increase in wholesale related costs. The recent conflict in the Middle East has seen an increase in underlying wholesale energy prices.

1.8 Most suppliers will have their own hedging strategy which means they buy a proportion of their wholesale energy in advance (over 12-18-month periods), which 'locks in' prices and minimises the impact on consumer bills in the short term. However, the ongoing conflict has resulted in higher wholesale prices, particularly wholesale gas prices. Northern Ireland's key power stations are predominantly gas-fired in order to generate electricity; for this reason, electricity prices are impacted by the wholesale cost of gas.

1.9 In addition, there is an increase incapacity charges, which form part of the overall wholesale cost which Power NI (and other suppliers) will incur and pass through to its customers. Capacity charges are the costs suppliers are obliged to pay to help ensure there is sufficient generation available within the system to meet peak demand.

Network Costs

1.10 The other key reason for the increase in Power NI's tariff can be attributed to an increase in the Distribution Use of System (DUoS) and Transmission Use of System (TUoS) charges. These are the costs associated with transporting electricity through the transmission and distribution networks from power providers to homes and businesses.

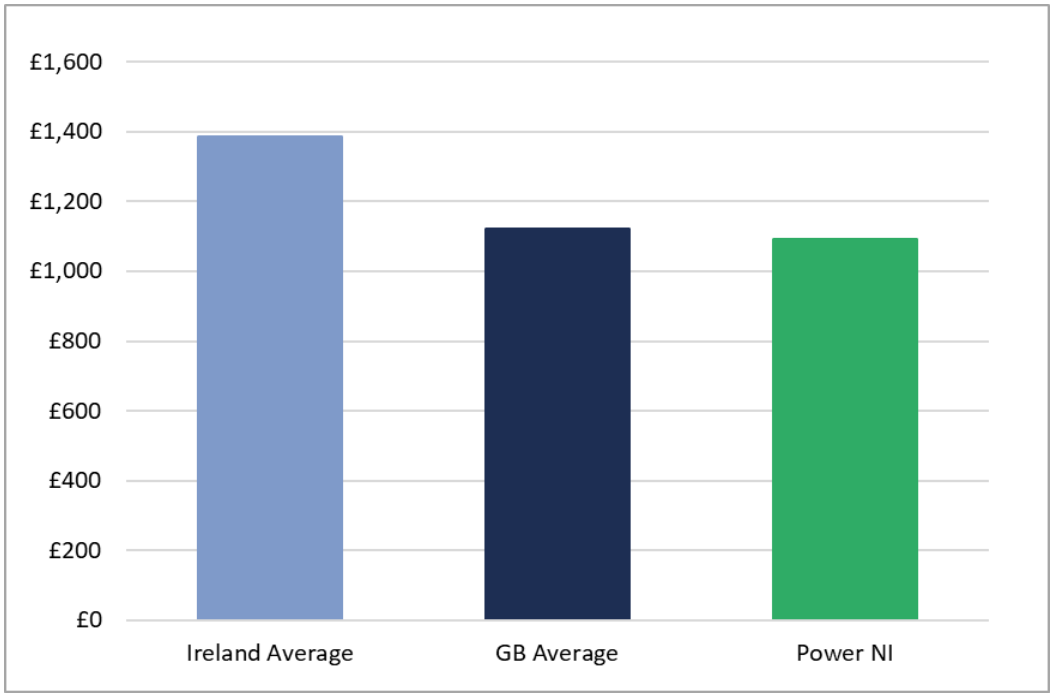
1.11 The investment in our electricity network is required as NI transitions away from fossil fuels to more renewable technologies (solar, wind etc.) in order to generate electricity. To facilitate this, to the electricity network needs to be upgraded. This investment in our electricity network is outlined in the NIE Networks RP7 price control determination[1].

1.12 In addition, the costs of maintaining, replacing, and enhancing the electricity network, along with the transmission costs, ensures that there is a robust and resilient network that provides security of supply for consumers.

Comparison with GB and Ireland

1.13 Figure 1 below shows the average annual bill for a Power NI domestic credit customer compared to the average annual bill in Ireland and GB. This comparison is based on the latest available information.

Figure 1 - Comparison of average annual bill in GB and Ireland with Power NI (based on estimated usage 3,200 kWh p/a including VAT as of 1 July 2026)



1.14 Figure 1 illustrates that the Power NI tariff for an average domestic credit customer will be c.3% cheaper than the GB Electricity Price Cap which equates to c.£29. The Power NI tariff will be c.21% cheaper than the current annual bill in Ireland which equates to a difference of c.£292.

[1] RP7 Price Control Final Determination

What Happens Next

1.15 The Power NI tariff change will take effect on 1 July 2026.

1.16 The new maximum average charge has been modelled and forecast over a period of 24 months.

1.17 As is our usual practice, we will keep the tariff under review. Should an adjustment become necessary, our system of regulation in Northern Ireland allows us to act as soon as possible.

2. Contextual Information

Background

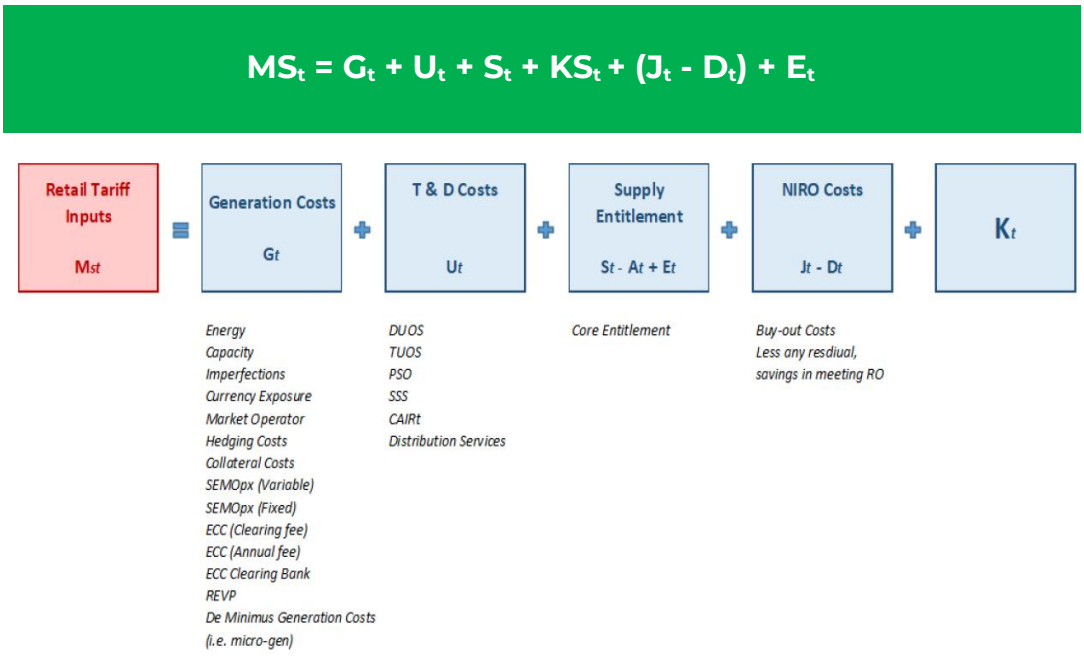
2.1 The domestic electricity supply market has been fully open to competition since 1 November 2007, and since June 2010 a number of suppliers have entered the domestic market. There are now six[2] active suppliers in the domestic market (including Power NI). However, whilst facing competition from other suppliers, Power NI maintains the largest market share in NI.

Regulatory Framework

2.2 Under the terms of Power NI's licence to supply electricity, we ensure the maximum amount that Power NI can charge for electricity to domestic customers reflects the actual cost of supplying electricity to homes and businesses and is not more than the amount that the price control allows.

2.3 The details of the operation of Power NI's supply price control are set out in its Licence[3]. At present, Power NI's maximum allowed unit price of electricity (MS_t) for customers is made up of a number of components:

Figure 2 – Power NI's Key Tariff Inputs



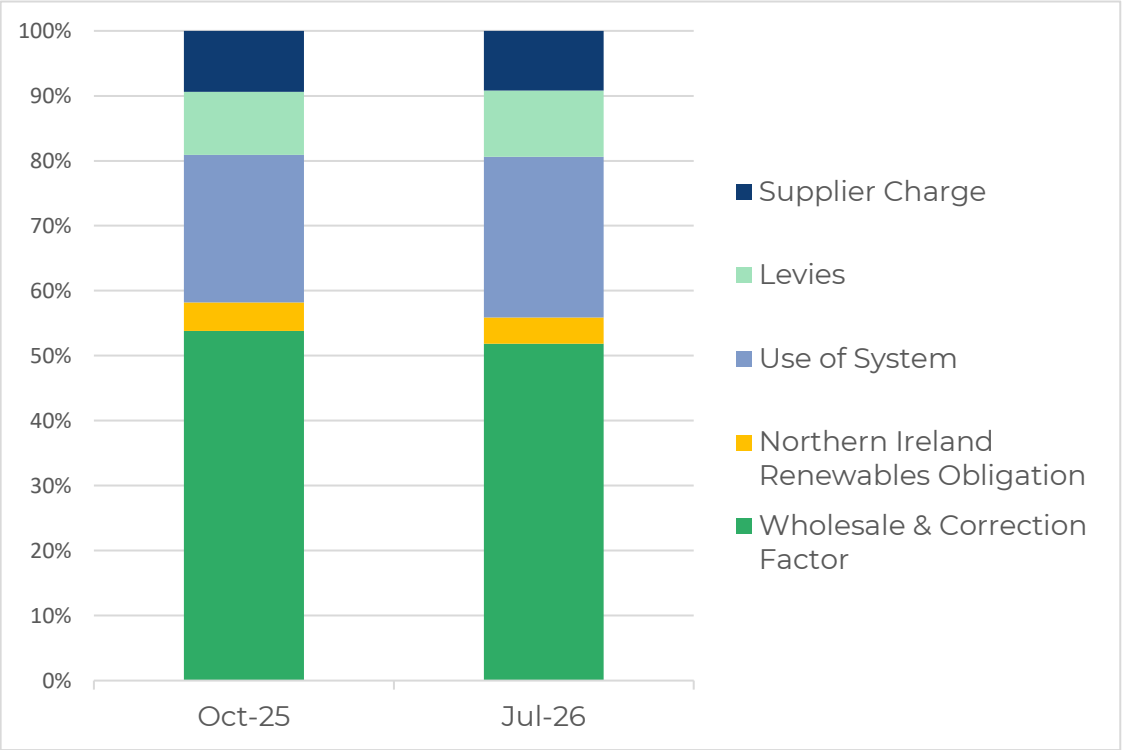
[2] There are six active suppliers currently however, Electric Ireland are expected to exit the domestic electricity market in June 2026.

[3] Electricity licences | Utility Regulator

Breakdown of Maximum Average Charge

2.4 The graph shown in Figure 3 compares the breakdown of the July 2026 tariff to that of the previous tariff set in October 2025. The wholesale energy component of the tariff remains the most significant element of the final consumer bill.

Figure 3 – Breakdown of July 2026 tariff costs compared to October 2025 (previous tariff costs)



2.5 As mentioned in section 1.4, the average annual bill[4] from 1 July 2026 will be £1,093 (inclusive of VAT). This compares with a previous annual bill of £1,029 (inclusive of VAT). On this basis, a typical customer will pay £64 (6.2%) more when compared the tariffs set in October 2025.

What makes up the Maximum Average Charge

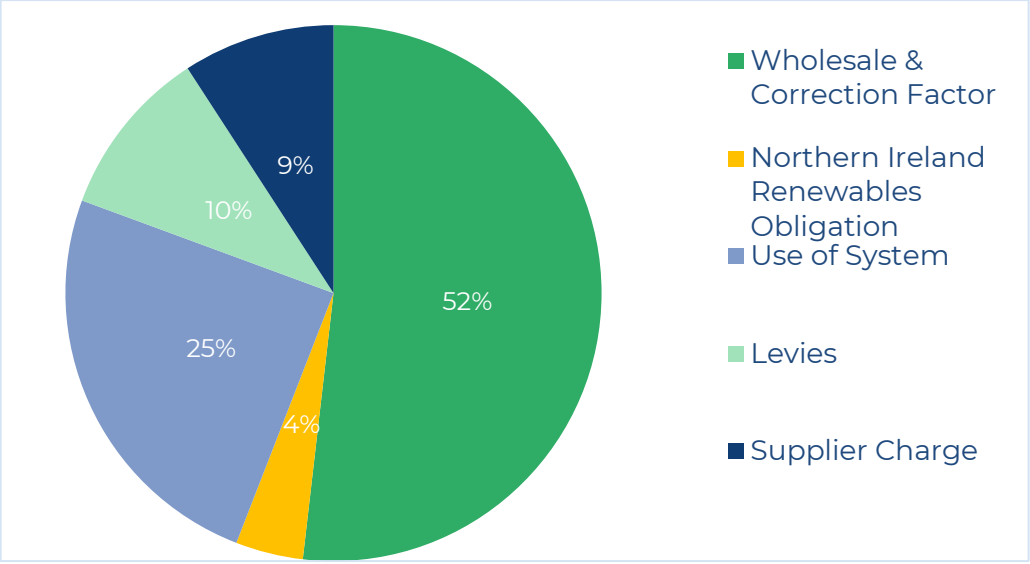
2.6 Power NI retail tariffs (derived from the maximum average charge) for this upcoming year are made up of several elements. Figure 4 below depicts the key elements that makes up the tariff and the overall weightage

4 The average annual bill amounts have been calculated based on the standard domestic tariff set at each tariff review (including VAT) and are based on an average annual consumption of 3,200 kWh as has been used in previous years.

distribution across these elements.

2.7 As shown in Figure 4, the main components of the maximum average charge are Wholesale and Correction Factors, Northern Ireland Renewables Obligation, Use of System, Levies and Supplier Charge. Each of these elements are discussed in greater detail in the following sections of this paper.

Figure 4 - Elements of the maximum average tariff – 1 July 2026



2.8 Each element is described in turn below.

Wholesale Cost and Correction Factor

2.9 The SEM is a competitive and regulated wholesale energy market on the island of Ireland. It is where electricity generators and suppliers trade power used by homes and businesses across the island of Ireland.

2.10 The SEM consists of several markets operating over different trading timeframes, promoting greater competition while ensuring that electricity supply aligns with demand. These timeframes include:

- Day Ahead Market (the largest market by volume and value);
- Intra Day Market (running up to an hour before the delivery of power);
- Balancing Market (difference between the supplier's demand and what they have already purchased); and
- Forwards Market (provides an opportunity for hedging).

2.11 Hedges effectively mean that the supplier is purchasing power on a

forward basis, at a fixed price, based on forecast market prices (plus a premium). The UR approves Power NI's hedging methodology and the forecast of Power NI's wholesale costs for their estimated demand for the tariff period.

2.12 Due to the wholesale energy component of final tariffs being both significant and volatile, an over- or under-recovery of revenues in any tariff period are generally caused by wholesale energy costs out-turning lower or higher than was forecasted at the time of tariff-setting.

2.13 Over-recoveries that occur in any given tariff period are returned to customers in the subsequent tariff period. Under- recoveries are added to the total cost forecast of the subsequent tariff period. These over or under-recoveries are referred to as a 'correction factor'.

2.14 Wholesale costs also include:

a) Capacity Costs – these are the costs suppliers pay to help ensure there is sufficient generation available within the system in order to meet peak demand. Generators who are successful in a competitive capacity auction receive a regular capacity payment. This payment assists with funding the generation capacity.

b) Network Imperfection Charges - these charges are mainly the costs associated with constraints on the all-island transmission network. Constraints are caused by network bottlenecks (such as the North-South interconnector, which is one of the most significant). These constraints result in the system operators (SONI and EirGrid) taking action to 'balance' the electricity system in order to ensure stability. These actions are a normal and necessary part of electricity markets in other jurisdictions but are particularly important in the SEM, which is a small and highly constrained electricity system that has high levels of renewable generation.

2.15 Additionally, costs relating to the future capacity auctions (including previously awarded multi-year contacts) have increased. The Power NI tariff has been modelled and forecast over a period of 24 months and therefore the forecast costs for the year 2027/28 are included in the forecast tariff horizon.

NIRO Costs

2.16 The Northern Ireland Renewables Obligation (NIRO) is an environmental scheme designed to encourage the development of renewable electricity in Northern Ireland. Although now closed to new renewable electricity generation, consumers continue to pay for the cost of projects accredited through the scheme. This element of a customer bill is relatively small,

with 4% of the total attributed to NIRO costs from 1 July 2026. Ofgem audits the cost of the NIRO on behalf of the UR.

Levies and Use of System Charges

2.17 Several of the final tariff components are common across all suppliers and the final customer will usually pay these regardless of who their supplier is. From 1 July 2026, these components will make up around 35% of a typical customer bill and are all subject to regulatory review and approval:

- Levies – these include System Support Services (SSS) which are charged by the transmission System Operator for Northern Ireland (SONI), and a Public Service Obligation (PSO) which is charged by the Government to fund schemes to support the construction and operation of sources of renewable electricity; and

- Use of System (UoS) charges – these are the costs associated with transmission and distribution of electricity through the NIE Networks Ltd network to homes and businesses.

2.18 To note, ancillary services related to network investment forms part of the SSS Levy. As part of meeting government climate change targets, and ensuring security of supply, potential costs associated with facilitation of renewable energy sources will have to be recovered and will form part of this tariff element.

2.19 These costs are regulated as they are levied to recover the costs associated with components of the electricity system that operate as natural monopolies. Independent suppliers are free to enter the market and purchase power, but they will usually incorporate these charges to consumers. This reflects the requirement to pay these charges in order to transport electricity to consumers in a safe and reliable manner.

2.20 For the purpose of setting the July 2026 tariff, published Levy and UoS rates have been used where available. In the absence of updated publications, forecast estimates for these network components have been used to derive the Power NI's revenue requirement for over the next 24 months period.

2.21 Typically, an inflationary uplift has been assumed for these elements to forecast for periods where published rates are not available to be used for this tariff period. It is important to note that Power NI's tariffs may be adjusted as part of future tariffs review depending on the actual out-turn costs; the forecasts used at this time have been used for initial tariff setting purposes.

Supplier Charge

2.22 We set a price control that determines allowances for Power NI's operating costs and profit margin. Any other operating costs that are passed through the tariff (which are not allowed for in the price control, for example, licence fees) must be approved by the UR. The aggregate of the price control allowances, and pass-through costs are termed as supplier charge.

2.23 From 1 July 2026, the supplier charge will make up 9% of a typical customer bill. These costs are assessed and collected through application of Power NI's Supply Price Control and any other costs approved on a pass-through basis (after thorough regulatory scrutiny).

2.24 The allowances set in the price control are for Power NI's operating costs (for example, salaries, IT systems, rent and rates, legal fees, bad debt costs, keypad meter transaction costs and a target profit margin of 2.2% of forecast revenue).

2.25 Other costs which are unknown but treated as "pass-through" as they are unavoidable (for example, licence fees, certain IT project costs), are allowed and these also feed into the overall supplier charge.

2.26 This July 2026 tariff falls under the Power NI Price Control[5] which came into effect on 1 April 2025.

[5] Power NI Price Control Determination (SPC25)