



Utility Regulator Northern Ireland

Assessment on the Need for a Regulated Operating Regime for Future Interconnection

Electricity Association of Ireland

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A decarbonised future powered by electricity.

Electricity Association of Ireland

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The Electricity Association of Ireland (EAI) is the representative body for the electricity industry and gas retail sector operating within the Single Electricity Market (SEM) on the island of Ireland.

Our membership comprises utilities that represent 90% of generation and retail business activities and 100% of distribution within the market. Our members range in size from single plant operators and independent suppliers to international power utilities. Our members have a significant presence in Ireland, Northern Ireland and Great Britain across the sector value chain. We represent the interests of the all-island market in all relevant jurisdictions, including the EU via our membership of the European electricity representative body Eurelectric.

We believe that electricity has a fundamental role in providing energy services in a decarbonised, sustainable future, in particular through the progressive electrification of transport and heating. We believe that this can be achieved, in the overall interest of society, through competitive markets that foster investment and innovation.

We promote this vision through constructive engagement with key policy, regulatory, technology and academic stakeholders both at domestic and EU levels.

Our ambition is to contribute to the realisation of a net-zero GHG emissions economy by 2050 or sooner, in order to limit the impact of rising temperatures. Electricity offers opportunities to decarbonise the Irish economy in a cost-effective manner.



Introduction

The Electricity Association of Ireland (EAI) welcomes the opportunity to respond to this consultation on the proposed approach for assessing the need for a regulated operating revenue regime for future interconnection. As the representative body for over 90% of electricity generation and supply, we believe a strategic and measured approach to interconnection is essential to ensure it contributes positively to system resilience and consumer interests. Please find outlined below the EAI's response to the consultation questions.

Q1. Do respondents have any views regarding additional interconnection in Northern Ireland that you would like to highlight?

The EAI strongly cautions against an over-reliance on interconnection as a substitute for domestic generation and robust grid infrastructure. While interconnectors are often framed as a solution for security of supply, the UR must consider the potential negative impact of an oversaturation of interconnection - if LirIC is progressed, GB-NI interconnection would represent 60% of forecast peak NI demand in 2032 (as per the latest AIRAA).

Interconnectors are bi-directional assets and though driven primarily by market prices, they do not guarantee imports when needed most. This is in stark contrast to domestic indigenous dispatchable generation over which the NI TSO has full control. EAI notes with concern that there is a material risk that the considered level of interconnection will displace indigenous generation and increase reliance on the GB TSO during scarcity events, thus decreasing energy independence and increasing exposure to NTC restrictions or the refusal of SO-SO trades.

The UR must fully assess the additional technical risks of additional interconnection to security of supply. HVDC technology can be susceptible to interaction and sympathetic trips with a cascading impact on voltage and frequency. As part of an assessment on further interconnection there must be an analysis of credible contingencies of sympathetic trips. Moreover, the proposed connection point at Kilroot introduces a concentration risk with



electrical proximity to existing generation. The UR must have full sight of the required mitigations if there were to be a contingency event at this node and assess the impact of this on the procurement of additional reserve and SONI’s operational policy.

Furthermore, we must challenge the narrative that interconnectors will facilitate renewable exports in the near future. Historical data shows the SEM has shifted to being a net-importer, with 2023 recording the highest level of net imports to date. During extreme weather events, North-Western Europe often experiences simultaneous low-wind periods, meaning import availability may be restricted exactly when needed most. Additionally, as the volume of interconnected capacity increases, incremental benefits decrease; we strongly urge assessing whether a 700MW link to the same jurisdiction is reaching a “saturation point”.

This point of saturation challenges the simplistic assumption in the consultation paper that further interconnection benefits the consumer by creating price arbitrage between markets. NI is a severely constrained system; interconnectors only offer price convergence on an unconstrained basis, therefore the opportunity for price convergence is limited by the NI system.

Finally, we wish to highlight that the curtailment of renewable energy in Northern Ireland continues to increase as interconnector flows favour imports, despite high levels of local generation. With existing levels of interconnection, this challenge will already be heightened as renewable capacity increases, by more than double, if NI is to meet its 2030 renewable targets. If additional interconnection is progressed, the challenge of dispatch down will increase substantially.

There are two key risks to a significant increase in dispatch down caused by further interconnection. Firstly, it threatens the viability of NI’s energy transition by eroding revenues for renewables, thus challenging investor confidence and undermining further development in NI. Secondly, it brings considerable undue financial burden to the consumer who will have to pay for compensating existing generators with firm access and any future capacity procured through the upcoming Renewable Energy Price Guarantee (REPG) scheme, which guarantees compensation for dispatch down. The UR must thoroughly assess these risks.



Q2. Do respondents have any additional considerations they believe should be included within the step two workstream?

The development of LirIC, or any further interconnection, will have substantial implications for NI's energy transition. To protect the NI consumer in the immediate and long-term, it is important the UR exercise caution and ensure the assessment process is properly structured and as comprehensive and robust as possible. To that end, The EAI advocates for an appropriate sequencing of assessments, specifically, a comprehensive system impact assessment must precede the market modelling to ensure that physical grid limitations and operational constraints are accurately reflected in any economic analysis.

Q3. Are respondents aware of any other interconnector revenue models outside of those listed?

The EAI has no comment on additional revenue models currently.

Q4. Do respondents agree with the criteria and principles to be applied during this assessment?

While the EAI acknowledges the proposed criteria, we emphasise that the system impact assessment must take priority and precede the SEW analysis as this ensures the system impact assessment can fully inform the technical assumptions underpinning the market modelling. This is essential to avoid an overestimation of benefits which will occur if simplistic or erroneous assumptions are made regarding the technical capability and operational requirements of the NI system in the event of connecting a further 700MW of HVDC interconnection. The system impact assessment should be TSO-led, objective, and free from unnecessary time pressures to ensure it is as robust as possible.



Moreover, the UR must consider the benefit profile of further interconnection within its assessment. If a benefit profile is front-loaded, in that an SEW benefit is primarily delivered at the start of the interconnector's lifetime, then a delay to the delivery of that interconnector may entirely offset the SEW balance, and this must be factored into the UR's decision process as a credible risk. The assessment should therefore include a scenario modelling a variety of delays to the delivery of further interconnection.

Considering the small size of the NI system, further interconnection will be systemically significant and materially impact consumers. It is vital that the UR includes robust dispatch down modelling and stochastic network analysis to accurately assess system security.

The cost and technical assessment should go beyond developer connection costs to include deep transmission reinforcements, which are ultimately passed to consumers through TUOS charges. We also call for a rigorous testing of the 50:50 cost-sharing allocation between jurisdictions to ensure it is equitable for Northern Ireland consumers.

Given the historical track record of slippage and ongoing legal challenges with the delivery of the second North South tie-line (NS2), it is unrealistic to model solely on a 2032 commissioning date and EAI therefore welcomes the UR's commitment to model scenarios both with and without NS2. NS2 will play a critical role in alleviating NI system constraints, therefore further interconnection into a system without it will significantly exacerbate levels of dispatch down. If the UR's modelling identifies that the SEW case without NS2 is significantly lessened, or negative, then it would be prudent given the aforementioned delivery timelines, for the UR to pause any further consideration or assessment of further interconnection until the delivery and commissioning of NS2.

Finally, the UR should publicly consult on the assumptions and inputs to be used in the modelling, otherwise there is a risk of incomplete analysis to the detriment of the NI consumer. A public consultation has the benefit of drawing on market expertise and testing the UR's assumptions to ensure as robust and comprehensive modelling as possible.



Q5. Do respondents support the proposed parallel work to be commenced in Q3 2026 regarding the development of a regulated operating revenue regime framework?

The EAI urges the avoidance of making an irreversible decision. We believe that a minded to position on the revenue regime cannot be fully determined until all core technical and economic issues raised above are addressed. Given the small size of the Northern Ireland market, an erroneous decision regarding a project of the scale of LirIC would be far more impactful than in a larger market like GB. The UR should not rush this process until the needs case is undeniably established.

Conclusion

In conclusion, the EAI believes that while interconnection remains a component of the SEM, its role must be carefully evaluated through a proactive approach, rigorous cost-benefit analyses, and realistic assumptions about grid readiness. We look forward to continued engagement with the Utility Regulator to ensure that future interconnection strategies align with long-term energy goals without compromising the viability of indigenous generation or the interests of Northern Ireland consumers.

If you require any clarification or have questions, please do not hesitate to contact these offices.

Yours sincerely,

A handwritten signature in black ink that reads 'Alex Murphy'.

Alex Murphy

Policy Analyst

Electricity Association of Ireland

