

## **EPUKI Response to UREGNI Consultation on Assessment on Need for a Regulated Operating Revenue Regime for Future Interconnection**

EP UK Investments ('EPUKI') welcomes the opportunity to respond to this consultation. A response to each question in the consultation document has been provided below.

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

EPUKI urges caution when considering the potential benefits of interconnection as set out in Section 3.1 of the consultation paper. It is noted in this section that interconnection can *"increase security of supply, facilitate the transition to a low carbon future, and create price arbitrage between connected energy markets"*. While these benefits are theoretically possible, it is important that any assessment takes considerations of practical system conditions, and historic information when considering what benefits may be delivered through additional interconnection. Failure to reflect this in the assessment may result in the consumer funding the delivery of interconnector projects without receiving the potential benefits of same.

For example, with respect to Security of Supply, it is noted that there has been a number of system alerts in Northern Ireland and across the all-island network in recent months. It is understood that the majority of these alerts are driven by an inability of the System Operator to dispatch the system in a manner which satisfies existing system constraints (for example, the minimum number of conventional units constraint). These issues will not be resolved by the addition of increased interconnection capacity, meaning that localised Security of Supply issues may continue to occur despite new interconnection coming online.

Similarly, it is noted that historically when system alerts occur interconnectors can be exporting from the island which has the potential to exasperate a system event. This is because pricing in the GB market may be higher at times of scarcity than in the Single Electricity Market ('SEM'). This means that additional interconnection does not guarantee improved Security of Supply and indeed may in fact worsen a situation.

Similarly, the addition of new interconnection does not guarantee increased operation of renewables and may in fact lead to an increase in dispatch down of wind and solar generation. Dispatch down of wind generation averaged 30% in 2024 which was driven by increased levels of import from Scotland across the Moyle interconnector<sup>1</sup>. This creates a risk that increased interconnection will contribute to further dispatch down. This undermines the investment case for wind and solar generation which consequently acts as a barrier for the energy transition.

Any benefit assumed from increased interconnection with respect the energy transition must take account of actual historic data and modelled future outcomes rather than assuming that increased interconnection will facilitate greater volumes of wind and/or solar dispatch.

### **Do respondents have additional considerations they believe should be included in the step two workstream?**

EPUKI welcomes the approach proposed by UREGNI in the step two workstream. Namely, an assessment on the appropriateness of a regulated revenue regime for increased interconnection, taking into account both the short-term and long-term interests of consumers.

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<sup>1</sup> [Renewable electricity generation in Northern Ireland 2024: Second successive decrease – Energy Ireland](#)

**Are respondents aware of any other interconnector revenue models outside of those listed above? If so, please provide details for any other models considered to be available.**

EPUKI has no views on other interconnector revenue models at this time.

**Do respondents agree with the criteria and principles to be applied during this assessment? If not, please provide details of other criteria/principles that may also warrant consideration.**

The criteria set out in Table 6.1 appear to cover the key areas which require consideration under this assessment. EPUKI urges UREGNI to undertake these steps of the assessment with adequate levels of transparency and engagement with external stakeholders. For example, when undertaking the market modelling assessment, it is important that stakeholders can see the evidence and analysis behind the conclusions of this assessment and provide feedback on same. Similarly for the System Impact Assessment and Cost and Technical Assessment, it would be helpful to understand the assumptions and inputs underlying the outcomes of assessment. This level of transparency will result in a more informed and more comprehensive assessment.

EPUKI is also seeking further information on the proposed treatment of revenues in excess of the cap under this regime. The consultation paper states that under the scheme designed by Ofgem “*any excess revenue earned by the interconnector developer above the Cap is returned to the GB energy system*”. Is the intention for any potential scheme in Northern Ireland will be similar in that 100% of revenue above the cap is handed back or will this be subject to further assessment? It is acknowledged that under some funding mechanisms, only a percentage of costs above the cap are returned to the system. Clarity is requested on this point.

**Do respondents support proposed parallel work to be commenced in Q3 2026 regarding development of a regulated operating revenue regime framework? If not, please provide supporting details.**

EPUKI agrees with the parallel work approach set out in the consultation paper, however it is important that the progression of works in parallel does not mean that resources are unavailable to progress other important workstreams, which might provide more realisable benefits for Security of Supply and the energy transition.

For example, the development of a policy for sharing of Maximum Export Capacity behind a single connection point would support investment in hybrid technologies and enable the development of sites which can export clean energy through wind and solar and also provide Security of Supply from storage when wind and solar are unavailable. It is important that the development and implementation of such a policy is not delayed as a result of allocating resources to work on this assessment in parallel.