



## Consultation Response

# Assessment on the need for a regulated operating revenue regime for future interconnection

### Introduction

Manufacturing NI represent some 550 manufacturing businesses across every constituency represented in the NI Assembly.

Manufacturing represents around c14% of local GDP and approximately 11% of total employment. With around 70% of manufacturing taking place outside of Belfast, it's impact on local economies is more pronounced with, for instance, half of jobs in Mid Ulster and 4 in 10 jobs in Mid and East Antrim and Armagh, Banbridge and Craigavon Council areas depend on the sector.

The regional economy, particularly out of Belfast, is the manufacturing economy. The aims of the Executive on good jobs and regionally balanced are already being delivered by the sector. If we are to secure the Executive's ambitions to be more productive and decarbonised, then the right environment needs to be secured, most notably an energy market that works in the consumers interests and not just the energy sector itself.

### Economic Background

The following summary is from work undertaken by a local economist in support of our submission.

**Manufacturing is a significant contributor to the Northern Ireland economy.** At just over £6bn, it accounts for 13.4% of Northern Ireland's economic output compared to a UK figure of 9.8%. Manufacturing is Northern Ireland's second largest sector in terms of its economic contribution after Retail & Wholesale (15.3%). Northern Ireland has one of the largest shares of Manufacturing enterprises in its business base across the UK regions. **While it accounts for just 6% of Northern Ireland's total private sector business population, it contributes 17% of jobs and 21% of turnover.**

**Manufacturing accounted for almost 100,000 jobs in 2023 (96,739) or 1 in 10 workforce jobs across Northern Ireland (10.5% vs. 7.1% UK).** It is the second largest private sector employer in Northern Ireland after Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles and second largest in terms of its share of turnover. One in 5 of Northern Ireland's largest enterprises (250+ employees) are Manufacturers.

**Manufacturing supports jobs and economic growth across all Northern Ireland and in rural and urban areas alike.** The Manufacturing sector plays a part in every local Council economy across Northern Ireland. Mid Ulster is a particular Manufacturing hub and accounts for 20% of Northern Ireland's total Manufacturing value added (GVA) and 19% of jobs. Armagh City, Banbridge & Craigavon accounts for a further 14% and Belfast 12% while in other Councils like Derry, Fermanagh, Causeway and Newry & Mourne accounts for almost one tenth of GVA.

**The impact of Northern Ireland's manufacturing sector is strongly felt throughout the economy.** The contribution that the sector makes extends significantly beyond the jobs, economic activity and wages directly associated with the sector. There is an additional indirect impact which encapsulates the activity and employment supported in the supply chain because of the manufacturing sector's procurement of goods and services from other parts of the Northern Ireland economy. In addition, there is a further induced impact, comprising the economic benefits that arise as the people employed in the manufacturing sector and its supply chain spend their wages in the local consumer economy, for example at retail and leisure establishments.

**Estimates suggest that every £1million GVA that the Manufacturing sector in Northern Ireland generates, a further £0.7million is indirectly generated** elsewhere in the Northern Ireland economy rising to £1.7million of additional value supported in the wider economy through indirect and induced effects.

Including all three channels of economic impact—direct, indirect, and induced—**the total contribution of manufacturing to the Northern Ireland economy is over £16 billion.**

**In total, it is estimated that the sector sustains around 250,000 jobs:** amounting to a quarter of all jobs in the Northern Ireland economy. For every manufacturing job in Northern Ireland, another 1.7 are supported elsewhere in the economy.

By sustaining this level of employment, manufacturing **directly contributes more than £2.9 billion in wages** to its own staff, and **a further £2.3billion in wages through jobs supported through its supply chain and £0.9bn through induced effects. 96% are SME's, almost exclusively homegrown,** with their share of turnover rising from 19% in 2015 to 23% to in 2023. The sector is overwhelmingly made up of local entrepreneurs, supporting a wage to **'hard working families'**, in every urban and rural area.

Northern Ireland's Manufacturing sector is the region's most significant exporter. **It accounts for around half of external sales outside Northern Ireland and similarly**

**around half of export sales** (outside the UK). It accounts for two-thirds of Northern Ireland's goods exports and accounts for 10% of the region's service exports. The sector made **£13.7bn in external sales in 2022 and £6.8bn in export sales.**

Manufacturing has **the largest trade balance across Northern Ireland industries, at £3bn** in 2022, by a considerable margin highlighting its importance as the key net exporter of goods and services in Northern Ireland.

Manufacturing accounts for just under **two-fifths (37%) or £327.3m of all business R&D (BERD) spending** in Northern Ireland. This helps to support the development of quality products and processes to keep the sector competitive.

Manufacturers made up **almost half of the investment (47%) by Invest NI supported businesses** over the period 2018/19 to 2022/23. Five of Invest NI's Top 10 investors over the that period are Manufacturers. Northern Ireland's highest inward FDI position, is in Manufacturing. ONS figures suggest that in 2021 **37.3% of NI's FDI was in Manufacturing, more than twice the UK average share.** The Manufacturing sector is also a strong contributor to net earnings for Northern Ireland's FDI.

## **Context**

Northern Ireland's manufacturing industry is in the midst of a cost of doing business crisis. Our competitiveness problem is caused by location, scale, local, national and international policy costs and high energy costs from a market designed to protect energy investors and not consumers.

Additionally, we have a decarbonisation challenge driven by policy and customer demands. To solve this requires internal business investment or structural changes in how energy is delivered to consumers... which comes at a huge cost.

Consumers, domestic and non-domestic, and the NI economy and public purse do not have the headroom to afford the scale of change and investment required.

We need to do something different, quickly pivot from what is hurting us and soon to become disastrous position where energy investors are significantly (and most recently extremely) enriched at the expense of those who policymakers and regulators say there are there to protect.

## **Response to the questions asked:**

### **Q1. Do respondents have any views regarding additional interconnection in Northern Ireland that you would like to highlight? If so, please provide details.**

The Regulator's own reports suggest that interconnection flows ensure that NI consumers are benefitting from the lowest price electricity flowing into Northern Ireland at the right time and, less occasionally, electricity flowing from NI to GB when a higher price can be achieved.

The model in which our electricity market operates relies upon more interconnection.

If both are true, then providing the regulatory environment for more interconnection is a necessity.

It is our view that the Regulator should be and must act in consumers interest first. To be independent and evidence based and represent the best interests of those who must pay rather than those who are paid from the market. We therefore would encourage you to continue on this piece of work to explore models which will benefit consumers not just in terms of security of supply but on price and protecting consumers from the costs of decarbonisation.

**Q2. Do respondents have any additional considerations they believe should be included within the step two workstream? If so, please provide details.**

We would caution that alongside this work is a long overdue review and actions to ensure that generators on our market are not overly rewarded; that consumers are protected from supports in the market, such as the massive and rising cost of imperfections, are driven down; and, that when electricity flows towards GB to achieve a higher price that NI consumers are not burdened with higher cost as other forms of generation need switched on.

**Q3. 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.**

No.

We do retain some concerns about a cap and floor model in that the route to securing the numbers which make up the cap and floor is influenced data supplied by developers. Market prices in our market (and GB for that matter) are much higher that they should be. The Regulators own reports on generator profitability prove this. Some assurance is required by consumers that this model provides the best outcome for consumer bills.

For now, however, we do not believe this should be a barrier to continuing work in this area.

**Q4. 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.**

No, they do not go far enough. Simply assessing on security of supply, environmental sustainability and technical and financial capability is not enough. The Regulator's role is to protect consumers. Ignoring a fundamental leg of the energy trilemma stool such as "price" does not make for a fair, secure outcome for consumers.

**Q5. Do respondents support the proposed parallel work to be commenced in Q3 2026 regarding the development of a regulated operating revenue regime framework? If not, please provide supporting details.**

Yes, it is a necessity.

## **Conclusion**

Too few and much less often than required, policymakers and the Regulators fully consider the fundamental issue facing consumers which is the full cost of electricity supply. It continues to be the final consideration at best and often never considered at all. Areas which have policy direction, legislation or regulatory rules trump all other considerations.

This interconnection opportunity maybe be an area in which consumers can get some downward pressure on price through both price positive directional flows and competition which traditionally drives down cost. Vested interests, understandably, will not be so keen.

So, it is our view requires more work is required to explore the full consumer benefit and a regime being put in place if required so we would encourage the Regulator to continue progressing this work.

12 February, 2026.