

**SSE AIRTRICITY GAS
SUPPLY (NI) LTD**

**APRIL 2027 TO
MARCH 2031 PRICE
CONTROL**

Draft Determination

30 June 2026

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.

OUR MISSION

To protect the short and long-term interests of consumers of electricity, gas and water.

OUR VISION

To ensure value and sustainability in energy and water.

OUR VALUES

ACCOUNTABLE:

We take ownership of our actions.

TRANSPARENT:

Ensuring trust through openness and honesty.

COLLABORATIVE:

Connecting and working with others for a shared purpose.

DILIGENT:

Working with care and rigour.

RESPECTFUL:

Treating everyone with dignity and fairness.

ABSTRACT

This document sets out the Utility Regulator's (UR) draft determination proposals for the next SSE Airtricity Gas Supply (NI) Ltd (SSE Airtricity) price control. The price control covers a four-year period, which begins in April 2027 and runs until the end of March 2031.

This paper outlines our proposals in relation to the main areas within the price control: structure and form; scope and coverage of regulated tariffs; duration of control; operating costs levels and allocations; and allowed margin.

AUDIENCE

This document will be of interest to all electricity and gas licensees. Government departments, organisations representing consumer interests and other stakeholders will also be interested given the potential for greater transparency.

CONSUMER IMPACT

The price control sets the permitted costs, margin and framework for the duration of the control period. Subsequent price regulated tariffs will have to operate within these limits and framework.

SSE Airtricity is the price-controlled gas supplier for domestic and small industrial and commercial customers in the Greater Belfast and the West areas. The price control decisions will therefore impact the bills of these customers. While this review deals with all aspects of the SSE Airtricity price control, its focus is the determination of SSE Airtricity's margin and operating costs. These costs account for approximately 10% of a typical domestic gas bill.

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Executive Summary

Gas supply price controls

SSE Airtricity currently supplies gas to 80% of domestic customers and to 56% of small industrial and commercial (I&C) customers within the Greater Belfast network. It is also the gas supplier to all domestic customers within the West network. Given its dominant position in these markets, SSE Airtricity is subject to periodic price control reviews by the Utility Regulator (UR). The purpose of the price control review is to ensure SSE Airtricity charges its price-controlled (tariff) customers a fair price for gas while also having sufficient resources to be able to provide a high quality of customer service. SSE Airtricity is also currently subject to a price control for the West small I&C market, but we propose it is no longer dominant.

The existing SSE Airtricity price control (SPC23) is set to expire on 31 March 2027, and the next price control SPC27 will apply with effect from 1 April 2027. We began the process to develop the SPC27 price control by publishing a Draft Approach consultation in July 2025. Having considered the responses to the consultation we published our SPC27 Final Approach in November 2025.

SSE Airtricity submitted its proposals and expenditure requests for the SPC27 price control period on 31 January 2026. We have reviewed and analysed the company's submission in order to provide our draft determination proposals, which we are now publishing for consultation.

Firmus Energy (Supply) Ltd (FES) is the price-controlled gas supplier for the Ten Towns area. Its existing price control is set to expire on 31 December 2026 and therefore its next price control, SPC27, is also under review. We published our proposals in relation to its price control in a separate draft determination consultation document¹ on 2 June 2026.

Price control framework

The price control sets the treatment and value of the cost elements which make up the maximum average price that is charged to customers during the price control period. The determined treatment and values are used at each bi-annual tariff review during the price control period and SSE Airtricity must adhere to the maximum average price when setting its tariff rates.

The cost elements and how we propose they are set and treated for the price control are as follows:

¹ [Draft Determination published for the firmus energy \(Supply\) Limited Price Control 2027-2030 | Utility Regulator](#)

- Operating costs - We evaluate these costs and establish their allowances for the entire price control period. In the operating costs section of the document, you'll find a detailed overview of SSE Airtricity's submission, our thorough assessment, and our proposals for these values.
- Wholesale gas costs - We recognise the company's limited ability to control the gas purchase and GB network charges, so we therefore propose to continue treating these costs as pass-through. We propose to continue to set a unit rate for the cost of credit allowed within this category.
- Network costs - We conduct separate reviews on the network companies to determine the charges that they collect through the supply companies. After evaluating our current process, we propose to continue treating these costs as pass-through. This ensures transparency and consistency, allowing the charges to flow directly without additional intervention.
- Margin - we assess and set a profit margin percentage during the price control review that is applied to the sum total of the above allowed cost elements. We provide detail of SSE Airtricity's margin submission, our assessment and our proposals in the margin section of this document.

Following the most recent² tariff review, the maximum average price from 1 April 2026 comprises of 49% network costs, 39% wholesale gas costs, 10% operating costs and 2% margin costs.

Scope and duration of the price control

Currently, the lack of sufficiently developed competition in domestic and small I&C markets means that customers do not have effective choices when it comes to gas suppliers. Because of this, the price control mechanism serves as a proxy for competition, ensuring that the costs charged by gas suppliers remain fair and reasonable.

With SSE Airtricity continuing to hold a dominant position among domestic and small I&C customers within the Greater Belfast network and domestic customers within the West network, it is crucial that we maintain the price control approach. This will help protect the interests of these customers and ensure they are not subjected to unreasonable pricing. Therefore, we propose that we continue using price control measures in this context, in order to safeguard customer interests until these markets evolve to offer more genuine competition.

² [Conclusion of review of SSE tariff to apply from 1 April 2026 | Utility Regulator](#)

We propose to remove the price control from the small I&C market in the West network. SSE Airtricity only holds 15% of the small I&C market in the West, while firmus, Flogas and Go Power each hold between 26% and 30% market share.

We propose to apply the price control for a duration of four years. We consider this to strike a balance between the risk of unforeseen and impactful developments, which would increase with a longer duration, and the regulatory burden more frequent price control reviews entail.

Operating costs

Operating costs (opex) relate to costs the company incurs to provide the required services to its customers. They are grouped under three main categories: manpower, operations and billing costs.

SSE Airtricity's operating costs submission and our draft determination proposals totalled across the four-year SPC27 period are summarised in the table below.

Table 1: SPC27 operating costs draft determination

£m	SSE Submission	Draft Determination
Manpower	24.75	23.37
Operations	14.43	12.66
Billing*	21.35	21.53
Total	60.53	57.55

*SSE resubmitted billing costs during the engagement process, which are reflected in the Draft Determination figure. Further detail is provided in 7.37

The costs in this table and throughout this document are presented in October 2025 prices and represent the total SSE Airtricity supply business costs, including costs related to the non-price-controlled (non-tariff) markets. An apportionment process ensures that costs are allocated appropriately and that no cross-subsidisation occurs between the tariff and non-tariff markets.

Margin

We propose that SSE Airtricity's margin for the SPC27 period should be 2.0%. This would maintain the same level that has applied for previous price controls.

SSE Airtricity initially proposed a margin of 2.65% for the SPC27 period, though through engagement this was later reduced to 2.38%.

UR engaged consultants (First Economics) to provide review, analysis, advice and recommendations on SSE Airtricity's capital requirements and cost of capital. The

main adjustments made to SSE Airtricity's updated submission in reaching our 2.0% margin proposal are as follows:

- Removal of customer acquisition value from capital base in line with regulatory precedent.
- Removal of cost for SSE's billing system from fixed assets as these costs were passed on to consumers during SPC23.
- Reduction in the cost of capital proposed by SSE from 12.5% to 10.6%, driven by a reduction in the value chosen for asset beta.

Further detail of our margin assessment and proposal are provided in Chapter 9 of this document.

About this document

The purpose of this document is to consult on our proposals for the SPC27 price control for SSE Airtricity before we make a final determination. Stakeholder engagement plays an important part in our regulation process, and we encourage you to become part of this. We are keen to hear the views of consumers and stakeholders on any issues connected to this price control.

The closing date for consultation responses is 28 August 2026 and details of how to respond to this consultation are provided in Chapter 11 below.

It is our intention to publish our Final Determination on 29 October 2026. At that time, we will publish a further consultation on licence modifications to give effect to our Final Determination before making a final decision on the licence modifications.

1. Background

Regulation of the Northern Ireland gas industry

- 1.1 The Utility Regulator (UR) is required to carry out its functions, including the setting of price controls, in accordance with the duties specified at Article 14 of the Energy (Northern Ireland) Order 2003. This legal obligation ensures that UR's actions are consistent with the relevant regulatory framework and uphold the standards expected within the industry.
- 1.2 The principal objective of UR is "to promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland", whilst having regard to "the need to ensure a high level of protection of the interests of consumers of gas". However, the statute also sets out a range of other relevant duties which apply while we seek to fulfil that principal objective, and we will carefully take into account, and act in accordance with, all of them in making any decisions relating to the price control. We do not repeat the detailed provisions of Article 14 here, but reference should be made to them for an understanding of the duties that will shape our decisions.
- 1.3 Where competition is either not possible or is not sufficiently developed or effective, UR protects customers by regulating the amount that can be charged by relevant companies. This applies to monopoly network businesses but also to any electricity and gas supply markets in which there is a dominant supplier. Therefore, in the geographical gas markets, in which there are supply companies with dominant market positions in relation to household and small business customers, UR retains price controls on those companies.
- 1.4 In Northern Ireland, there are three distinct distribution network areas for natural gas. These are the Greater Belfast area, the Ten Towns area, and the West. The Greater Belfast area is served by Phoenix Energy Ltd, the Ten Towns area is served by Kinecx Energy Ltd (formerly known as Firmus Energy Distribution Limited), and the West is served by Evolve Ltd.
- 1.5 There are currently two price regulated gas supply companies in Northern Ireland:
 - SSE Airtricity is the price-regulated gas supply company in Greater Belfast and the West; and
 - FES is the price-regulated gas supply company in the Ten Towns area.

- 1.6 The Greater Belfast gas network was developed by Phoenix Natural Gas from 1996. At that time, Phoenix Natural Gas operated as an integrated gas transmission, distribution and supply business. The supply business legally separated from the transmission and distribution business in 2007 and was subsequently acquired by SSE Airtricity in 2012. The distribution network continues to be owned and operated by Phoenix Natural Gas, now trading as Phoenix Energy.
- 1.7 The Greater Belfast market includes Belfast, Newtownabbey, Carrickfergus, Larne, Carryduff, Newtownards, North Down and East Down.
- 1.8 The West gas network was developed by SGN Natural Gas from 2017, with SSE Airtricity appointed as the commissioning (default) supplier. The distribution network continues to be owned and operated by SGN Natural Gas, now trading as Evolve.
- 1.9 The West market includes Coalisland, Cookstown, Dungannon, Magherafelt, Omagh, Enniskillen, Strabane and Derrylin.
- 1.10 SSE Airtricity Gas Supply (NI) Limited is a subsidiary of SSE plc, a UK-listed energy company with operations and investments across the UK and Ireland. SSE is involved in the generation, transmission, distribution and supply of electricity, the production, storage, distribution and supply of gas and the provision of energy-related services.

2. Scope and Coverage

- 2.1 As set out in the 2026 Q1 Retail Energy Market Monitoring (REMM) report³, the Greater Belfast and West gas markets have approximately 268,462 connections to the gas network, which is broken down as follows:
- 256,638 - Domestic (EUC1)
 - 8,845 - Small I&C < 73,200 kWh (EUC1)
 - 2,979 - I&C < 732,000 kWh (EUC2), I&C > 732,000 kWh (EUC3), I&C Daily Metered > 2,196,000 kWh
- 2.2 During the SPC23 period, SSE Airtricity has been subject to a price control in the following markets:
- Greater Belfast Domestic
 - Greater Belfast Small I&C
 - West Domestic
 - West Small I&C
- 2.3 Where supply competition is insufficiently developed or effective, we protect consumers by regulating the prices charged by the supplier with a dominant market position. Where effective competition has emerged, these price controls have been removed.
- 2.4 In our decision paper for Power NI for the 2014-2017 Price Control⁴, we set out a roadmap that would automatically trigger a consultation on further price deregulation in the non-domestic sector.
- 2.5 Specifically, a consultation would be triggered where:
- the relevant supplier's market share falls below 50% for two consecutive quarters; and
 - at least three independent suppliers each hold a market share of 10% or more.
- 2.6 We clarified that meeting these criteria would not automatically result in the removal of price controls. Rather, it would prompt a consultation to consider whether a reduction in regulatory scope is appropriate, taking

³ [Table 9 - Q1 2026 Retail Energy Market Monitoring report | Utility Regulator](#)

⁴ [2014 Power NI Supply Price Control Decision paper | Utility Regulator](#)

into account wider factors, including the continued need for consumer protection.

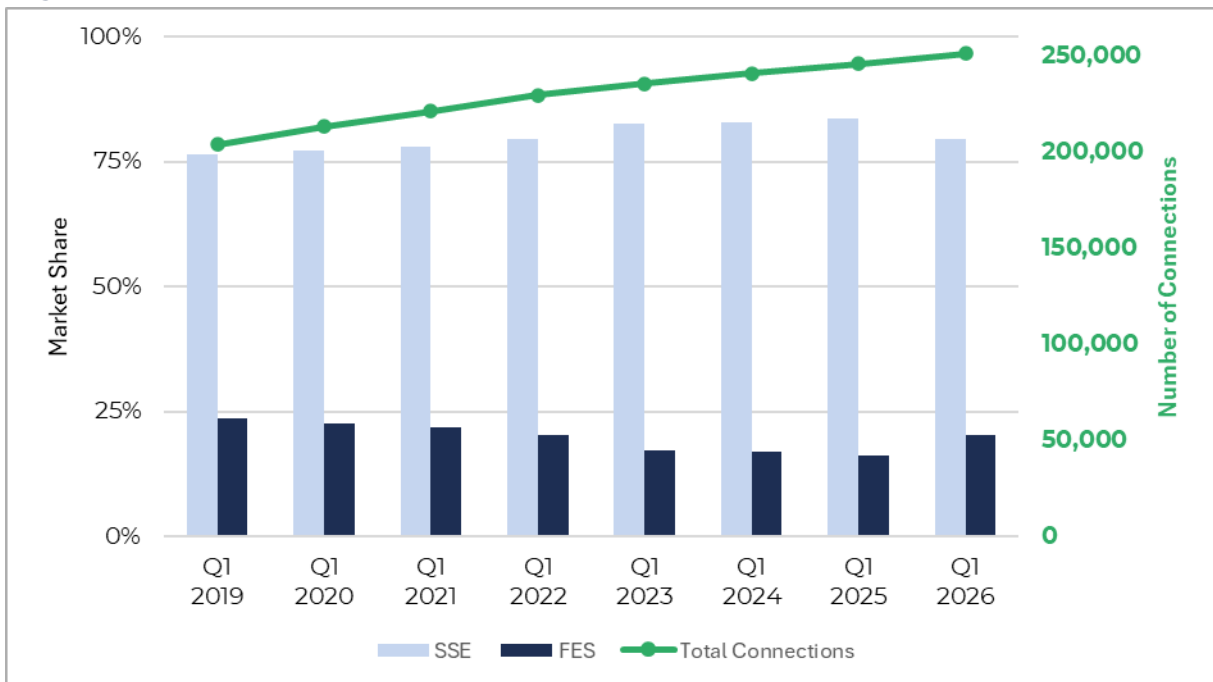
2.7 In light of the above, we have reviewed SSE Airtricity’s position in each market where it is currently subject to a price control.

Greater Belfast Domestic

2.8 SSE Airtricity supplies 200,198 properties (80%) in the Greater Belfast domestic market, with FES supplying the remainder. As shown in Figure 2.1, SSE Airtricity has maintained a market share of at least 75% over a sustained period.

2.9 There was a reduction in SSE Airtricity’s market share over the past year, from 84% at Q1 2025 to 80% at Q1 2026, which appears to reflect an introductory offer by FES. However, this relatively small reduction does not indicate that SSE Airtricity’s market power will materially diminish. On this basis, we consider that a price control remains appropriate for the SPC27 period for this market.

Figure 2.1: Evolution of the Domestic Market in Greater Belfast

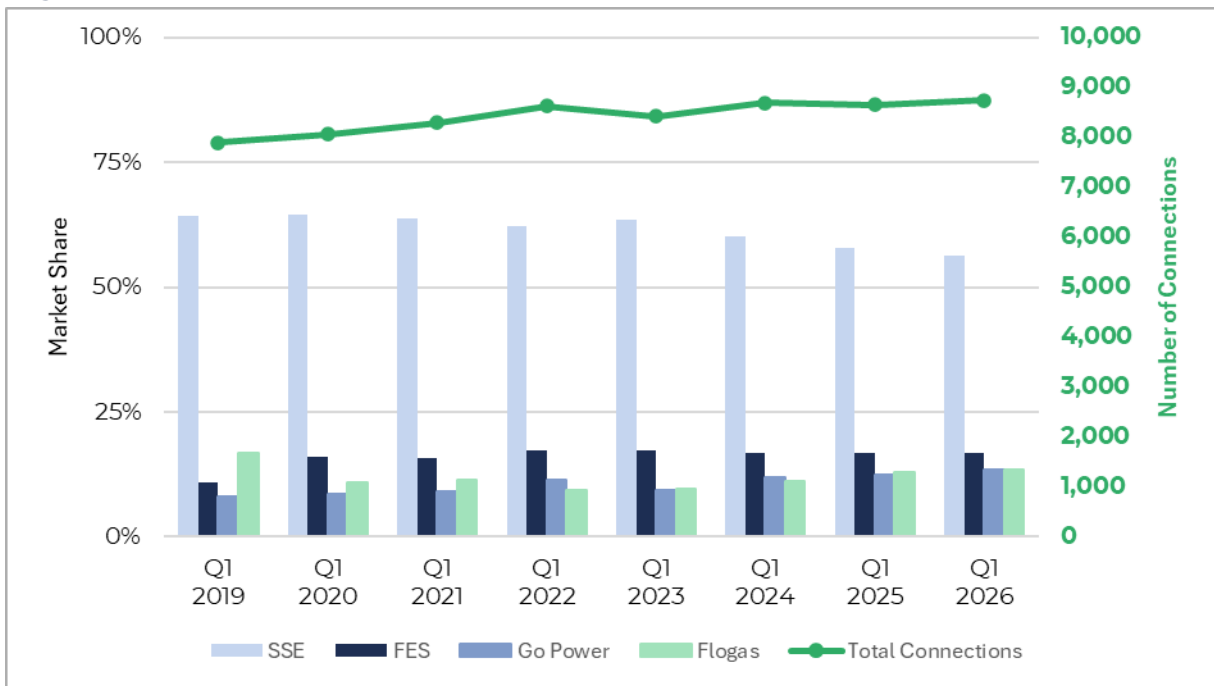


Greater Belfast Small I&C

2.10 The Greater Belfast small I&C market is currently served by four suppliers. SSE Airtricity supplies 4,924 (56%) of the total 8,754 customers. The other three suppliers, FES, Go Power and Flogas, currently hold 17%, 14% and 13% respectively.

2.11 As shown in Figure 2.2, SSE Airtricity’s market share has declined from 64% in Q1 2023 to its current level. A simple extrapolation of this trend suggests that its market share could fall below 50% by Q2 2029. It is therefore plausible that the conditions set out at paragraph 2.5 for considering removal of the price control may arise during the SPC27 period. However, this projection is uncertain and assumes that current market dynamics persist. On this basis, we consider that a price control should be retained for this market at the outset of the price control. However, we will continue to monitor developments and consider acting if appropriate.

Figure 2.2: Evolution of the Small I&C Market in Greater Belfast

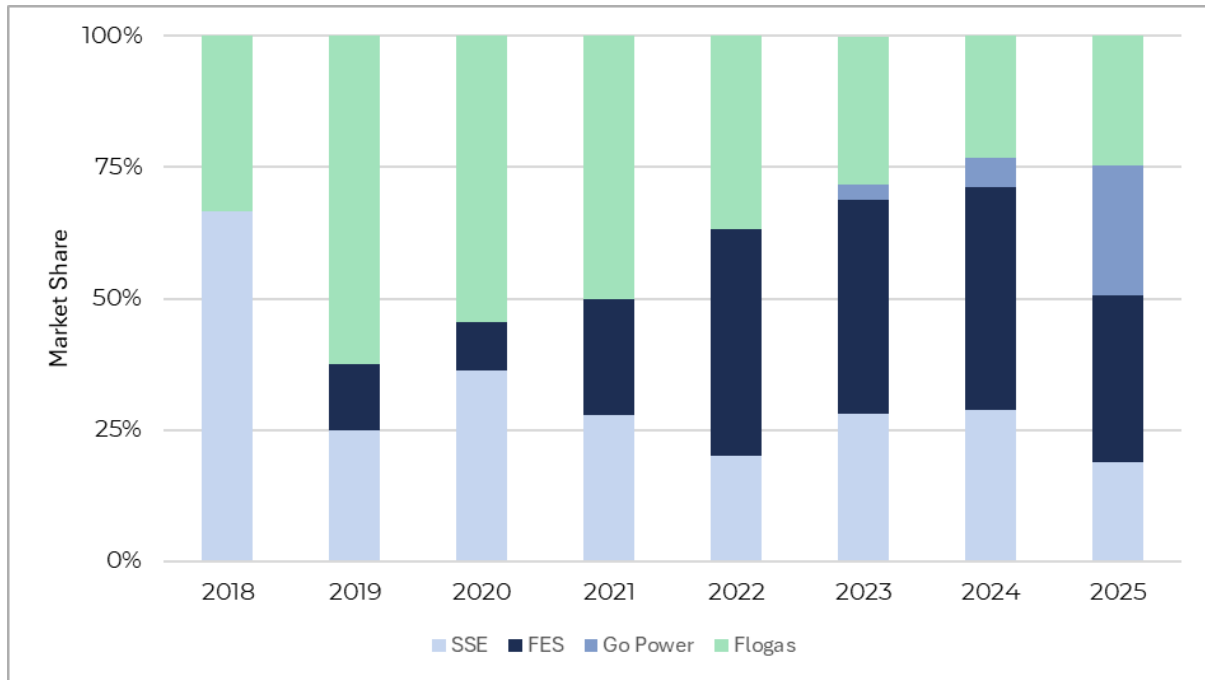


West Domestic

2.12 SSE Airtricity supplies all 5,301 domestic properties in the West network, and there is currently no competing supplier. We therefore consider that a price control remains appropriate for the SPC27 period for this market.

West Small I&C

2.13 The West Small I&C market is currently served by four suppliers. SSE Airtricity supplies 14 (15%) of the total 91 customers. The other three suppliers, FES, Go Power and Flogas, currently hold 30%, 29% and 26% respectively.

Figure 2.3: Evolution of the Small I&C Market in the West

2.14 As demonstrated in Figure 2.3 above, SSE Airtricity no longer holds a market-dominant position amongst small I&C customers within the West network. A sufficient level of choice also now exists for consumers within the network between SSE Airtricity and the three other suppliers. As SSE Airtricity has therefore lost significant market power in the area, UR proposes that it should be deregulated with respect to the small I&C market in the West network.

3. Duration

- 3.1 In our SPC27 Final Approach, we set out that we considered that the price control should apply for four years, from 1 April 2027 to 31 March 2031. We requested that SSE Airtricity submit its proposals on this basis.
- 3.2 Our Final Approach position was informed by stakeholder responses to the SPC27 Draft Approach consultation and an assessment of duration options. We considered a four-year period preferable, as it would allow the review for the next price control to assess multiple years of data in the existing control, whereas a three-year control would limit available data to one year.
- 3.3 The current SPC23 price control covered a four-year period, and in our SPC27 review, we have found access to multiple years data to be beneficial for our assessment.
- 3.4 We also consider that our price control design proposals provide a relatively high-level of protection from market changes:
- Allowances are adjusted by actual CPIH inflation.
 - The majority of cost lines that make up the tariff are subject to retrospective adjustment to reflect actual costs or activity levels.
 - We have proposed appropriate mechanisms in our uncertain costs section to allow for anticipated developments during the period.
- 3.5 A four-year price control will also align with our decision for the recent Power NI price control. It was considered that a four-year period strikes a balance between the risk of unforeseen and impactful developments, that would increase with a longer duration, and the regulatory burden associated with more frequent price control reviews. A short price control could also mute the incentive for the regulated company to deliver efficiencies.
- 3.6 We therefore propose that SPC27 should be applied for four years.

4. The Regulated Tariff

4.1 The gas supply licence confers on the UR the power to control charges if deemed necessary:

2.4.1 Control over Charges

“The Licensee shall take all reasonable steps to secure that in any Relevant Year the average price per unit of gas supplied by it to Regulated Premises⁵ shall not exceed the maximum price calculated”

4.2 A price control is the mechanism that the UR uses to determine the costs which make up the maximum average price per therm that a price-regulated gas supply company can charge.

4.3 In granting consent, we review the maximum average price to ensure that it is constructed in line with the provisions within the price control. The maximum allowed average unit price of gas (P_{st}) for customers (subject to price control) is calculated as follows:

$$P_{st} = G_t + U_t + S_t + M_t + E_t - K_{st}$$

4.4 In any given year, t :

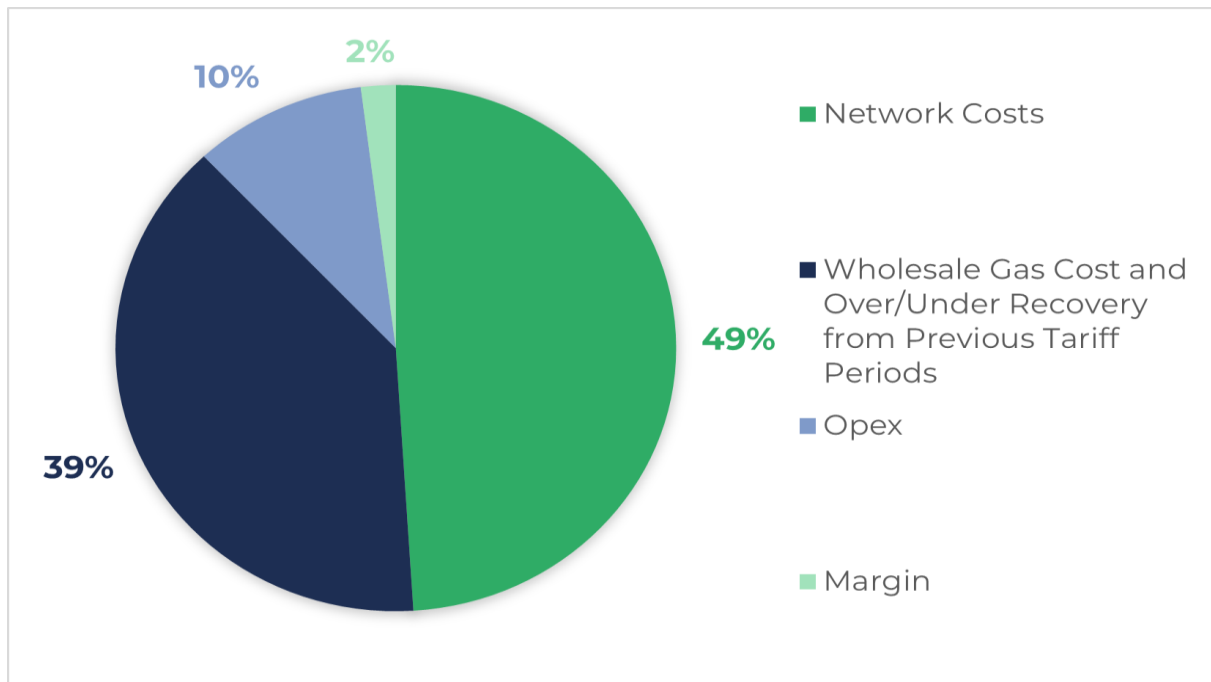
- a) **G_t** refers to the cost of the “wholesale” gas which the supply company purchases in Relevant Year, t .
- b) **U_t** covers the costs of using the gas distribution and transmission networks in Relevant Year, t .
- c) **S_t** means the allowed operating charge in pence per unit of gas supplied by the Licensee to Regulated Premises in Relevant Year, t .
- d) **M_t** means the applicable margin to be applied to each unit of gas supplied by the Licensee to Regulated Premises in Relevant Year, t .
- e) **E_t** is an uncertainty mechanism used for allowing certain pre-defined categories of cost that are too uncertain at the start of the control to be included as an allowance in the S_t term, but in each case subject to a determination by UR of what is reasonable and efficient spend in Relevant Year, t .

⁵ Regulated Premises means premises supplied by the Licensee in the Greater Belfast and West Areas at which the normal annual consumption of gas is reasonably expected not to exceed 73,200 kilowatt hours

- f) **K_{st}** is a correction facility referred to as 'k-factor', whereby under- or over-recoveries in the previous year can be collected by the business (under-recovery) or given back to consumers (over-recovery).

4.5 The percentage breakdown of the most recent⁶ maximum average price into the main cost elements is provided in Figure 4.1 below. This was based on a maximum average price of 207.59 pence per therm, which means the typical annual bill for an average domestic credit customer would be £905. The proportion of each cost element can fluctuate, which has been observed in the SPC23 period, due to material changes in the wholesale gas costs.

Figure 4.1: Breakdown of the SSE Airtricity maximum average price from 1 April 2026



4.6 We have set out our proposals for the treatment of each element during the SPC27 period in the below chapters of this document.

Tariff Review

4.7 A tariff review is the process of analysis and discussion of the tariff to consider if a change to the tariff is needed, and to decide the magnitude and timing of any change.

4.8 We review the gas tariffs on a bi-annual basis. In addition, we are able to initiate a tariff review under the trigger mechanism as discussed below.

⁶ [Conclusion of review of SSE Airtricity tariff to apply from 1 April 2026 | Utility Regulator](#)

We consider that regular reviews minimise the impact of k factor on the tariff and can help mitigate tariff volatility for consumers.

- 4.9 We have established a process in consultation with SSE Airtricity, the Consumer Council NI (CCNI), and the Department for the Economy (DfE) which sets out the timescales and information required in setting the tariff.
- 4.10 The tariff review process is a consultative one where all parties bring their expertise and opinion in relation to the needs of the gas supplier, the needs of the consumer, and the wider impact on the economy. Therefore, it is important that all parties are aware of and in agreement with the formal process.
- 4.11 This process provides a robust procedure, which is in line with the requirements of the licence to ensure that all parties are consulted in a timely, prescribed, and comprehensive manner for both anticipated and unanticipated tariff reviews.

Trigger Mechanism

- 4.12 In addition to the bi-annual tariff reviews we establish a trigger mechanism within the price control. The aim of this trigger mechanism is to initiate a tariff review should the cost of wholesale gas purchased by the gas supplier vary significantly from the cost forecast within the tariff.
- 4.13 The trigger mechanism will operate to allow the UR to initiate a tariff review should the tariff costs change between review periods, either increase or decrease, so as to change the tariff by 5%.
- 4.14 We consider the 5% level to be an appropriate level, any level under this and volatility in the wholesale market could necessitate a number of tariff reviews in a year. Tariff reviews can be costly and complex for the company.
- 4.15 Where a review is initiated by the trigger mechanism, the tariff review group will look at a number of factors including:
- Volatility in the wholesale gas market
 - Time since last tariff review
 - Level of k-factor
 - Amount of gas purchased by the supplier
- 4.16 The UR also retains the flexibility to initiate a review at any stage if it considers is in the interest of customers.

Tariff Structure

- 4.17 SSE Airtricity publishes its current tariff structure for each of its domestic credit, Pay as You Go (PAYG) and small I&C customers (I&C1) at the below page on its website.

<https://www.sseairtricitygasni.com/tariff-and-payment-options>

- 4.18 At each tariff review we require the supplier to demonstrate the assumptions used to create the tariff structure in order to ensure that the average weighted price charged to customers is equal to or less than the maximum average tariff.

5. Wholesale Gas Costs

- 5.1 Wholesale gas costs include the costs suppliers face when purchasing natural gas to supply its customers. They also include the costs for transporting gas through Great Britain to the SNIP (Scotland-Northern Ireland Pipeline).
- 5.2 Previous controls have determined that these costs are pass-through, which means that the company is allowed to recover its actual wholesale gas costs. Therefore, where these costs increase or decrease, the additional costs, or resulting savings, are passed on to customers.
- 5.3 We proposed in our SPC27 Draft Approach to continue to allow wholesale gas costs and the related transportation costs as pass-through costs. All responding stakeholders agreed with this approach and therefore we propose to continue with this treatment for SPC27.
- 5.4 Wholesale gas costs will be allowed as pass-through at the level purchased at the National Balancing Point (NBP). All wholesale cost inputs are then verified as part of the price-regulated tariff review exercise every six months.

Letters of credit

- 5.5 In the SPC27 Final Approach document, we included the costs of credit arrangements relating to the purchase and transportation of gas within the wholesale gas costs section, as they are part of the G_t term. However, these costs were incorrectly described as also being treated on a pass-through basis. To clarify, these costs are recovered through a fixed unit rate per unit of gas, with the overall allowance adjusted based on actual gas volumes.
- 5.6 In its submission, SSE Airtricity provided an average rate of 0.0161 pence per kWh. Based on forecast volumes, this equates to £1.83m for the SPC27 period. We propose to accept the submitted unit rate, as it is in line with the latest actual unit rate experienced by the company.

6. Network Costs

- 6.1 Network costs are the charges incurred by SSE Airtricity for its use of the Northern Ireland gas transmission and distribution systems.
- 6.2 The costs for the transmission system are those costs involved in bringing gas from Scotland to Northern Ireland, via the Scotland to Northern Ireland Pipeline (SNIP), and all the transmission pipelines within Northern Ireland. These costs are published on the Gas Market Operator for Northern Ireland (GMO NI) website.

gmo-ni.com/tariffs

- 6.3 Transmission costs are subject to price control by UR. The current price control GT22 for the transmission system operators will end in September 2027. The process for setting the next price control GT27 is underway.
- 6.4 The costs for the distribution system are those costs associated with moving gas throughout the distribution networks area to homes and businesses. These can be found on the Phoenix Natural Gas website for the Greater Belfast area and on the SGN Natural Gas website for the West area.

[Network Charges | Phoenix Energy](#)

[Evolve - Publications](#)

- 6.5 Distribution costs are also subject to price control by UR. The current price control, GD23, runs from the period of January 2023 to 31 December 2028.
- 6.6 Within the previous controls for SSE Airtricity, the network costs have been treated as pass through costs. This means that the customer pays for the actual cost of the network charges that SSE Airtricity incur, and no more than that.
- 6.7 We propose that network costs remain as pass through costs as these are costs which are outside the control of the supplier and subject to regulation.

7. Operating Costs

- 7.1 Operating costs are those costs which relate to the day to day operating of the SSE Airtricity gas supply business; and include among other things salaries, IT costs, billing costs, rent and rates, consultancy/legal fees and bad debt.
- 7.2 In our SPC27 Final Approach document published in November 2025, we committed to using a bottom-up approach to assess operating costs. This involves a detailed review of each cost line with historical trend analysis.
- 7.3 Along with the Final Approach publication we issued a template to SSE Airtricity to populate with its operating costs. The template requested historical actual costs for the full period of April 2022 up to October 2026, and a forecast of costs from November 2026 through 2026/27 and the four-year (2027/28-2030/31) SPC27 price control period.
- 7.4 On 30 January 2026 SSE Airtricity submitted the populated template along with supporting operating cost narrative papers. Operating costs proposed by SSE Airtricity are summarised under three main costs categories in Table 7.1 below.

Table 7.1: SSE Airtricity SPC27 operating costs submission

£m	27/28	28/29	29/30	30/31	SPC27 Total
Manpower	6.13	6.16	6.22	6.25	24.75
Operations	4.41	3.37	3.29	3.36	14.43
Billing	5.18	5.25	5.39	5.53	21.35
Total	15.72	14.78	14.89	15.14	60.53

Note 1: Figures may not sum due to rounding.

- 7.5 The costs throughout this document are presented in October 2025 prices and represent the total SSE Airtricity supply business costs, including costs related to the non-price-controlled (non-tariff) markets. An apportionment process ensures that costs are allocated appropriately and that no cross-subsidisation occurs between the tariff and non-tariff markets. A summary of the apportionment method for each cost line is provided in Annex 1 - Apportionment Cost Drivers.

Submission review

- 7.6 We have engaged with SSE Airtricity to understand its submission through additional information requests and meetings. We have analysed the forecast cost figures against historical costs and previous

determinations and cross-checked information against other companies where appropriate.

- 7.7 Our review process included a detailed assessment of each cost line in the company's submission. However, this is not intended to prescribe a line-by-line budget for the company to follow. Instead, we determine an efficient overall allowance, based on our assessment, for the company to spend running the price regulated business.

Customer forecasts

- 7.8 As detailed in our operating costs assessment below, we have considered the number of customers SSE Airtricity expects to serve when proposing allowances. In certain areas we have provided for cost increases which align with the forecast increase in the number of customers.
- 7.9 SSE Airtricity submitted a forecast of an additional 5.5k customers per year throughout the SPC27 period. It will primarily gain these customers through new connections by the Distribution Network Operator to the Greater Belfast network.
- 7.10 We have amended SSE Airtricity's submitted forecasts in line with the historical average of tariff connections, reducing the 5.5k to 4.8k and, as a result, we have adjusted certain allowances accordingly. Gas has also been made newly available to properties recently and there remains properties with gas available that have not yet connected to the respective networks, c.115k in Greater Belfast and c.28k in the West.

Manpower

- 7.11 Manpower covers costs on salaries, labour recharges, staff engagement, training, travel and subsistence. The initial submission for manpower costs can be seen in Table 7.2.

Table 7.2: SSE Airtricity SPC27 manpower costs submission

£'000	27/28	28/29	29/30	30/31	SPC27 Total
Manpower	5,113	5,145	5,177	5,209	20,643
Staff Engagement	17	18	18	18	71
Training	48	48	48	48	190
Labour Recharges	900	900	925	925	3,650
Travel and Subsistence	49	49	50	50	198
Total	6,126	6,159	6,217	6,250	24,752

Note 1: Figures may not sum due to rounding

UR draft determination

Table 7.3: UR SPC27 Manpower Cost allowances

£'000	27/28	28/29	29/30	30/31	SPC27 Total
Manpower	4,727	4,819	4,918	5,017	19,480
Staff Engagement	16	16	17	17	67
Training	44	45	45	46	180
Labour Recharges	838	854	871	889	3,452
Travel and Subsistence	45	46	47	48	187
Total	5,670	5,780	5,898	6,017	23,366

Note 1: Figures may not sum due to rounding.

7.12 Table 7.3 presents UR's manpower cost allowances for the SPC27 period. Following SSE Airtricity's submission in January 2026, we have conducted an extensive review of the costs submitted, engaging with SSE Airtricity where necessary.

Manpower

7.13 In its submission, SSE Airtricity has proposed an outcome-based approach for determining manpower requirements, moving away from a top-down approach which utilises customer numbers as the driving factor and which it suggests no longer reflects modern service delivery. To this end, it has proposed specific departments where it requires additional staff, detailed in Table 7.4 below.

Table 7.4: Headcount Proposal by Department

Department	Submission	Rationale
Central Services	+4	Strengthen governance, quality oversight, vulnerability leadership, and operational controls that prevent avoidable failure and support consistent service delivery
Billing	+2	Improve first-time billing outcomes and reduce exceptions that drive customer contact, complaints and reworks
Customer Services	+11	Provide timely access for customers, particularly through winter peaks and support earlier intervention when customers need help
Credit Control	+4	Strengthen early engagement and administration for customers struggling to pay, improving outcomes and reducing long-term costs
Total	+21	

7.14 UR is minded to initially consider the total manpower allowance based on a top-down analysis of customer growth projections for the SPC27 period, taking a consistent approach to the one used in SPC23. We consider this provides an efficient overall allowance that enables the company to allocate staff to the appropriate departments efficiently and as necessary. This initial assessment provides the FTE allowance demonstrated in Table 7.5

Table 7.5: FTE Submission and Position

Total FTEs	25/26	27/28	28/29	29/30	30/31
SSE Airtricity Submission	113.5	128.8	129.8	130.8	131.8
UR Position	113.5	119.6	121.9	124.4	126.9

7.15 Forecasting based on customer growth has partially allowed for the 21 FTEs in SSE Airtricity's submission. In conjunction with our assessment, we have considered the specific request for 11 additional Customer Service Agents, as agreed in our response to SSE Airtricity's reopener on the issue during SPC23.

7.16 Our analysis of the Customer Service metrics can be found in Annex 2 – Customer Service FTEs, but our minded to position is that the FTEs permitted via our top-down methodology make sufficient allowances based on our assessment.

7.17 Furthermore, we are minded to remove the forecast Agency Costs as our analysis indicates these costs are unnecessary with the FTE provision proposed. However, we consider the company is best placed to decide how it utilises the overall allowance.

Remaining Manpower Elements

- 7.18 When calculating the remaining Manpower Elements, we have estimated the average cost per FTE for each cost line based on the forecast costs provided by SSE Airtricity and have multiplied up these costs in line with our updated number of FTEs.

Operations

- 7.19 Operations mainly cover costs related to the office building, systems and professional services that facilitate the required services to customers. The initial submission for operation costs can be seen in Table 7.6, with our proposed allowances presented in Table 7.7 below.

Table 7.6: SSE Airtricity SPC27 Operations Cost submission

£'000	27/28	28/29	29/30	30/31	SPC27 Total
Office Costs	615	617	620	623	2,475
Rates	69	69	69	69	274
Professional and Legal Fees	261	261	261	261	1,045
Insurance	35	35	36	36	142
Information Technology	1,618	1,645	1,674	1,704	6,641
Capex	1,375	269	120	120	1,884
Licence Fee	2	2	2	2	9
Network Maintenance	316	346	379	415	1,456
Customer Engagements	124	126	128	130	508
Total	4,413	3,370	3,288	3,361	14,433

Note 1: Figures may not sum due to rounding.

UR draft determination

Table 7.7: UR SPC27 Operations Cost allowances

£'000	27/28	28/29	29/30	30/31	SPC27 Total
Office Costs	561	564	567	570	2,261
Rates	69	69	69	69	274
Professional and Legal Fees	241	241	241	241	965
Insurance	35	35	36	36	142
Information Technology	1,618	1,645	1,674	1,704	6,641
Capex	334	235	113	114	796
Licence Fee	2	2	2	2	9
Network Maintenance	273	284	295	306	1,157
Customer Engagements	102	103	105	106	416
Total	3,233	3,178	3,101	3,149	12,660

Note 1: Figures may not sum due to rounding.

Office Costs including stationary, telephone and postage

- 7.20 In its submission, SSE Airtricity included depreciation costs for an office fit out which was completed during SPC23. SSE Airtricity states that it was required to do this as it was approaching the end of its lease, however it chose to extend its lease and remain in the same office space. The office fit out was completed without prior engagement with UR. As a result, UR was unable to assess whether the work was necessary or determine the appropriate level of work required and efficient allowance. We have therefore removed the associated depreciation costs.
- 7.21 We propose to allow all remaining office costs as they are either based on current contracts, such as rent and service charges, or on historic actuals.

Professional and Legal Fees

- 7.22 SSE Airtricity included costs within its submission for obtaining ISO 22458:2022 – Consumer Vulnerability Standard, stating that this standard is recommended by UR. However, while the UR's latest Code of Practice for Consumers in Vulnerable Circumstances⁷ does recommend obtaining ISO 22458:2022 it is not a mandatory requirement. Furthermore, ISO

⁷ [Code of Practice for Consumers in Vulnerable Circumstances | Utility Regulator](#)

22458:2022 aligns with the requirements set out in the UR Code of Practice, with which all licensees are required to comply. We would therefore consider it a business decision if SSE Airtricity chose to obtain this ISO rather than a regulatory obligation. These costs have therefore been removed.

- 7.23 We have reviewed all other legal costs and propose to allow them as they are either based on fixed costs, align with historic actuals or are reasonably forecast based on SSE Airtricity's current requirements.

Information Technology

- 7.24 During SPC23, SSE Airtricity invested in an upgrade of its billing system. SPC23 allowed costs included implementation of the new system alongside payments for the existing system. The existing system has been discontinued and therefore costs in SPC27 reflect this reduction. We propose to allow all costs for information technology as they align with historic actuals.

Capex

- 7.25 SSE overspent when upgrading its billing system and it has requested to recover some of this overspend in its capex costs during SPC27, specifically in 2027/28. It seeks to recover £1.0m; £546k which came from substantial unforeseen change requests and £460k for liability cover.
- 7.26 We reviewed SSE Airtricity's proposed billing system and provided our decision on the allowances in 2021. Subsequently during SPC23, SSE Airtricity requested liability cover costs. These additional costs were denied as our initial 2021 approval letter made clear that any additional costs would not be allowed. We consider this decision still stands and the liability cover cost will be removed from SPC27.
- 7.27 The £546k for change requests will also be removed as we consider that SSE assumed responsibility for these risks when it accepted our original decision on the allowances for this system.
- 7.28 Within the submission, SSE Airtricity has also requested costs for three future capital projects; a portal for external suppliers, updating of its financial capabilities to align with group and investment and upgrading of hosting infrastructure to enhance cyber security.
- 7.29 We have removed the £53.4k requested by SSE Airtricity to update its financial capabilities to align with the SSE Group. We consider this cost results from a business preference and therefore is inappropriate to pass on to consumers.

- 7.30 We propose to allow the other two future capital projects included in the submission but on a use it or lose it basis. Therefore, approval for both these spends is contingent on the projects being delivered. SSE Airtricity will be expected to provide evidence to UR that both projects have been implemented.
- 7.31 Capex costs have also been reduced due to the reduction in allowed FTEs. This analysis reduced capex costs by £27k across SPC27. We propose to allow all other costs for capex as they align with historic actuals.

Network Maintenance including safety inspections

- 7.32 Network maintenance costs include meter activities and boiler safety inspections. SSE Airtricity has requested an increase in network maintenance costs for SPC27. We have reviewed these costs and following detailed analysis alongside actual expenditure from SPC23, we have adjusted SPC27 allowances to align with historic averages.

Customer Engagements

- 7.33 SSE Airtricity has requested an increase for customer engagement costs for SPC27. We evaluated the request against the actuals from SPC23 and propose to align these with historical averages.

Remaining Operations Elements

- 7.34 We propose to allow the submitted costs for rates, insurance, licence fees as they align with historic actuals.

Billing

- 7.35 Billing mainly covers costs related to the administration, data handling and other activities that relate to customer payments. It also includes some other costs, such as bank and interest charges. The company's submission for billing costs can be seen in Table 7.8 followed by our proposed allowances in Table 7.9.

Table 7.8: SSE Airtricity SPC27 billing costs submission

£'000	27/28	28/29	29/30	30/31	SPC27 Total
Bad Debt	747	703	721	739	2,910
Prepayment Transaction Costs	754	773	792	812	3,132
Credit Check Costs	55	56	57	59	228
Bank and Interest Charges	317	317	317	317	1,266
Meter Reading Costs	1,757	1,813	1,870	1,930	7,371
Customer Information Processing and Postage	1,487	1,523	1,559	1,596	6,165
Tracing Costs	27	27	27	27	108
Text Alerts	37	40	44	49	170
Total	5,181	5,252	5,388	5,528	21,350

Note 1: Figures may not sum due to rounding.

UR draft determination

Table 7.9: UR SPC27 Billing Cost allowances

£'000	27/28	28/29	29/30	30/31	SPC27 Total
Bad Debt	671	631	647	663	2,612
Prepayment Transaction Costs	754	773	792	812	3,132
Credit Check Costs	55	56	57	59	228
Bank and Interest Charges	317	317	317	317	1,266
Meter Reading Costs	1,757	1,813	1,870	1,930	7,371
Customer Information Processing and Postage	1,530	1,613	1,701	1,796	6,641
Tracing Costs	27	27	27	27	108
Text Alerts	37	40	44	49	170
Total	5,148	5,271	5,457	5,653	21,528

Note 1: Figures may not sum due to rounding.

Bad Debt

7.36 SSE Airtricity initially requested an overall bad debt allowance of 0.82% of tariff credit turnover, which comprised of a 0.72% baseline, followed by an

additional uplift of 0.10% to account for forward-looking risks. This is compared to the company's current allowance under SPC23 of 0.66%.

- 7.37 During the information request process, SSE Airtricity sought to update its baseline Bad Debt request to 0.80%, as end-of-year actual data became available for 2025/26. The company is still seeking a forward-looking uplift of 0.10%, bringing the company's overall submission to 0.90%.
- 7.38 From our analysis of the company's submission, we agree that the 0.80% baseline request reflects its average level of tariff credit write-offs per tariff credit turnover between 2023/24 and 2025/26 and is therefore consistent with the methodology applied at SPC23.
- 7.39 In terms of the additional 0.10% uplift, SSE Airtricity has stated in its submission and through engagements that this is to allow the company to deal with forward-looking risks, such as increasing aged debt, cost-of-living pressures faced by customers, and pressures stemming from UR's Code of Practice for Vulnerable Customers that face the company.
- 7.40 We propose to set the bad debt allowance at 0.80% of tariff credit turnover, based on recent actual tariff bad debt write-offs. We don't propose to allow for an additional forward-looking uplift of 0.10%. We consider the use of recent actual bad debt performance to be the best reflection of how the company is currently performing in a period of increased energy prices. We also consider that the wider price control framework facilitates the company with the means to effectively manage bad debt.

Prepayment Transaction Costs

- 7.41 In its submission, SSE Airtricity provided a set of forecast prepayment transaction costs that are consistent with its current performance, although it highlighted the imminent expiry of its PayPoint contract in 2027 and has therefore requested a reopener to reflect any resultant changes. In line with our treatment of these costs for other suppliers, we propose to allow these costs as pass-through, however we expect the company to supplement its annual reconciliations with evidence of incurred costs when necessary. This therefore removes the need for a reopener related to these costs. We have utilised the company's submission as the forecast for these costs, which will be adjusted retrospectively to the actual costs during the price control.

Meter Reading Costs

- 7.42 The meter reading allowance is subject to retrospective adjustment based on the final determined unit rates and the actual number of meters read.
- 7.43 We have provisionally allowed SSE Airtricity's submitted meter reading rates. However, as these rates represent an increase relative to recently observed actual rates, we will seek further information to inform our final determination. Any increases that are not sufficiently justified may be disallowed.

Customer Information Processing and Postage

- 7.44 In its initial submission, SSE Airtricity detailed £6.17m in costs relating to the printing and processing of customer information and bills. However, during the engagement process, we found that the proposed postage rates for SPC27 had not been correctly applied to forecast activity. Following relevant amendments, this brought the company's submission to £6.64m.
- 7.45 We propose to allow the forecast costs submitted by SSE Airtricity as the unit rates either align with recent actual costs or expected updates to contracts. The overall allowance will be retrospectively adjusted based on the determined unit rates and actual volume of activities.

Remaining Billing Costs

- 7.46 We propose to allow the forecast costs submitted by SSE Airtricity for meter reading, as the rates are based on current actual costs with expected adjustments to meet service obligations. The overall allowance will be retrospectively adjusted based on the determined unit rates and actual number of meters read.
- 7.47 We propose to allow the costs submitted by SSE Airtricity for Credit Checks, Tracing, Text Alerts, and Bank and Interest Charges as they have been reasonably forecast based on current performance.

8. Uncertain Costs

- 8.1 Costs within this category refer to the E_t term in the licence. The introductory text to the E_t section of the licence outlines that the Licensee may make a claim to UR and UR may determine whether to allow costs for the listed categories.
- 8.2 These cost categories are considered uncertain as there may be insufficient information available at the price control review stage for the company to provide a submission or for UR to make a robust assessment. However, developments may mean it is appropriate to provide flexibility to consider costs during the price control period.
- 8.3 Within our SPC27 Final Approach document, we stated we would review the current E_t categories and update where appropriate with consideration of stakeholder views.

Table 8.1: Review of current E_t Terms

Current E_t Term	Proposal
Any reasonable and efficient costs incurred (or to be incurred) by the Licensee in Relevant Year, t , to comply with any mandatory roll out of smart meters in Northern Ireland	Propose to amend this term to refer to meters developed from the Northern Ireland Gas Metering Solutions Group rather than smart meters.
Any reasonable and efficient costs incurred (or to be incurred) by the Licensee in Relevant Year, t , to comply with any new or modified Conditions of the licence which are made in consequence of the Authority's project described in the document entitled 'Consumer Protection Programme - Final Decisions Paper', as published by the Authority in April 2019	Propose to amend this term to remove reference to April 2019 version of the Consumer Protection Programme - Final Decisions Paper.
Any reasonable and efficient costs incurred (or to be incurred) by the Licensee in Relevant Year, t , to comply with the requirements of the Directive (or to comply with any requirements which implement the Directive);	Propose to retain

Current E _t Term	Proposal
Any reasonable and efficient costs incurred (or to be incurred) by the Licensee in Relevant Year, <i>t</i> , to comply with the requirements of Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC (or to comply with any requirements which implement that directive)	Propose to retain
Any reasonable and efficient costs incurred by the Licensee in Relevant Year, <i>t</i> , as a result of a UR review of the governance arrangements relating to gas metering	Propose to retain
Any reasonable and efficient operating expenditure incurred by the Supply Business, beyond what is set out in the Final Determination, associated with manpower constraints caused by significant and demonstrable increases in customer contacts, and reasonably determined by the Authority.	Propose to retain

8.4 As part of its submission, SSE Airtricity proposed two E_t items in relation to manpower:

- a) **Manpower – Static Baseline:** Reasonable and efficient operating expenditure beyond the Final Determination due to significant and demonstrable increases in customer contacts, requiring uplift to the fixed Customer Service Agent baseline.
- b) **Manpower – Adaptive Allowance:** A mechanism enabling SSE Airtricity to recover efficient and necessary additional staffing costs, where contact volumes exceed the fixed baseline, provided SSE Airtricity demonstrates that:
 - (i) Contact demand exceeded baseline assumptions
 - (ii) Additional resourcing was required to meet mandated service standards; and
 - (iii) The associated costs were efficient and reasonable.

This mechanism supports flexible scaling during winter peaks and tariff-cycle surges, avoiding systematic under- or over-funding.

8.5 In line with our analysis of the required number of FTEs due to customer growth, our position is that the existing E_t provision aligns with the Static Baseline proposal and is sufficient to address uncertainty around

manpower constraints. We are not minded to introduce a further E_t item in line with the Adaptive Allowance point raised by SSE Airtricity. The onus is on SSE Airtricity to manage its high-level manpower allowance accordingly to respond to any short-term spikes in customer contacts.

- 8.6 SSE Airtricity also requested a reopener for prepayment transaction costs, in light of its current PayPoint contract being due to expire in 2027. In line with the treatment of FES and Power NI costs, as outlined in 7.41, we propose to treat these costs on a pass-through basis, thereby removing the need for a reopener for these costs.

9. Margin

Background and SSE Airtricity's proposed margin

- 9.1 As part of UR's Approach Consultation for SPC27, we announced our intention to complete a review of the gas retail margin to determine an appropriate level of margin for the SPC27 Price Control.
- 9.2 The last full assessment of SSE Airtricity's profit margin was conducted in 2016 as part of the review for SPC17. Following this assessment, a profit margin of 2% was deemed appropriate for SSE.
- 9.3 In its SPC27 submission, SSE Airtricity provided a report by Baringa detailing the forecast capital requirements and the expected cost of capital. This initial report set out a margin of 2.65% of forecast revenue.
- 9.4 As part of our review, UR consulted with First Economics to understand the evidence presented by SSE Airtricity and Baringa and arrive at our own position on the appropriate profit margin for SSE Airtricity. We have engaged with SSE Airtricity throughout the process through information requests, responses and meetings.
- 9.5 Throughout this process, SSE Airtricity identified a number of adjustments to the Baringa proposal and in June 2026, provided an updated profit margin for the SPC27 period of 2.38% of forecast revenue. This reduction was the result of recognition of letter of credit costs recoverable through the G_t term.
- 9.6 First Economics, in its review of the margin submission, recommended several changes which UR should consider when setting the appropriate margin.

Sizing of the projected capital requirements

- 9.7 As part of the assessment of the capital base, First Economics reviewed the historic and forecast capital requirements for SSE Airtricity's working capital and non-current assets.
- 9.8 First Economics proposed two amendments to the capital requirements submitted by SSE Airtricity:
- (i) SSE Airtricity proposed a 'customer acquisition value' within its capital base. In line with previous regulatory precedent, First Economics has proposed removing this element of the capital base on the grounds that it does not constitute an actual cost of running the business.

- (ii) SSE Airtricity's figure for fixed assets includes the full cost for a billing system, which was recently installed. UR determined the allowed costs for this system in 2021, and full recovery from consumers of the allowed billing system investment is set to be completed within the SPC23 period. As such the financing costs for the investment should logically be zero during SPC27

Cost of Equity Capital

- 9.9 First Economics utilised the capital asset pricing model (CAPM) to estimate the cost of equity at 10.6%. This was lower than SSE Airtricity's updated submission which estimated cost of equity at 12.5%.
- 9.10 The difference in cost of equity was driven predominantly by a difference in value for asset beta. SSE Airtricity provided for a beta of 0.97, in line with empirical estimates of two GB suppliers. SSE Airtricity's proposed beta is, by virtue of the chosen comparator set, an indicator of the risks that suppliers in a nearby market face rather than a direct measure of the riskiness of a Northern Ireland supplier.
- 9.11 When comparing risks in Northern Ireland to those in GB, it is important to note that the G_t term in SSE Airtricity's licence permits it to recover from customers any amounts that it pays for the purchase of electricity and gas, whereas Ofgem's energy price cap utilises a benchmark based on a notionally efficient supplier.
- 9.12 This provides Northern Ireland suppliers with less exposure to risks, and so First Economics has proposed an asset beta of 0.75. This is in line with Ofgem's original pre-2023 beta estimate and in line with UR's SPC25 beta for Power NI.

Margin position

- 9.13 Following these amendments, First Economics calculated a profit margin for SSE Airtricity at 1.0% of forecast revenues. However, First Economics recommended that the margin remain at 2%. It concluded that the calculation did not indicate a material change in SSE Airtricity's margin requirement compared to previous price controls, including its 1% estimate for the SPC17 review. First Economics also highlighted the uncertain nature of figures in the analysis and the importance of cross-checking against margins allowed for other regulated suppliers when determining an appropriate level.
- 9.14 In our SPC17 decision, we set the margin at 2%, taking into account the First Economics analysis, cross-checks against other regulated suppliers and findings from the 2016 CMA Energy Market Investigation. In

subsequent SPC20 and SPC23 reviews, we did not undertake a full recalculation. Instead, we assessed market conditions and relevant cross-checks to determine whether a change was warranted. On each occasion, the margin was retained at 2%.

- 9.15 Having considered First Economics' SPC27 calculations, together with cross-checks against other regulated suppliers and our previous determinations, we consider it appropriate and consistent with the established approach to retain the current margin. We therefore propose to accept First Economics' recommendation at this stage and retain a profit margin of 2% of forecast revenues for SSE Airtricity.
- 9.16 First Economics' report is available at Annex A ("SSE Airtricity: Profit Margin Report"), published alongside this draft determination.

Margin structure considerations

- 9.17 As noted in the FES Draft Determination, CCNI and National Energy Action questioned the use of a fixed percentage margin in response to the SPC23 Draft Determination. The fixed percentage margin means that, in effect, the margin scales with turnover. Instead, CCNI and National Energy Action proposed that the margin should taper as wholesale gas prices increase. This concern arose during the energy price crisis, as applying a fixed percentage to higher gas prices results in greater absolute profit for the company.
- 9.18 At the time of the SPC23 Final Determination, we concluded that any change to the structure or methodology of the margin would require more detailed analysis than was feasible within the SPC23 timetable. We also noted that Ofgem was consulting on revisions to its margin methodology for the GB price cap in response to the energy price crisis.
- 9.19 For SPC27, we have assessed the outcome of the Ofgem consultation⁸ and considered the function of the margin for SSE Airtricity.
- 9.20 Ofgem has introduced a margin calculation methodology that incorporates a taper by differentiating between fixed and variable capital requirements. Fixed costs, such as capital investment, are not directly affected by energy prices, whereas variable costs, including energy procurement, fluctuate with market conditions. This framework reflects the fact that increases in energy prices lead to greater capital requirements for supply businesses.
- 9.21 SSE Airtricity's capital requirements for SPC27 exclude investments that would typically be treated as fixed within the Ofgem margin, such as

⁸ [Amending price cap methodology for Earnings Before Interest and Tax \(EBIT\) allowance decision | Ofgem](#)

capital asset expenditure. We have also taken the approach in the past to provide financing costs associated with such investments separately, rather than incorporated within the margin.

- 9.22 SSE Airtricity's capital requirements are therefore primarily driven by variable costs linked to gas prices. In this context, we consider that a fixed percentage margin is the most appropriate approach to finance these requirements.

10. Reconciliation

- 10.1 On an annual basis, a reconciliation process is carried out to ensure tariffs accurately reflect the price control. This includes a series of adjustments to the allowed revenue.
- 10.2 As in the previous price control, we propose to uplift all allowances by CPIH inflation. Allowances in the determination are stated in October 2025 prices, these will be adjusted to the financial year CPIH average for the relevant SPC27 year.
- 10.3 Certain allowances are also adjusted on a retrospective basis. The method of adjustment for these costs can be grouped under three methods:
- Pass-through - allowance is adjusted to the actual costs incurred
 - Volume adjustment - a unit rate allowance is set, with the overall allowance adjusted by actual volume
 - Apportionment - the overall allowance is fixed, but the share apportioned to the price-controlled (tariff customers) part of the business adjusts
- 10.4 The proposed costs subject to retrospective adjustment and their respective adjustment methods are provided in Table 10.1 below.

Table 10.1: Retrospective cost adjustment

Cost line	Cost adjustment
Professional and Legal Fees	Fixed allowance apportioned and adjusted by actual number of tariff versus non-tariff customers
Information Technology	Fixed allowance apportioned and adjusted by actual number of tariff versus non-tariff bills
Capex	Allowance for new capital projects being given on a use it or lose it basis. Approval for this spend is contingent on the identified projects being delivered. Evidence must be provided to UR to show these projects have been implemented. All other capex costs are fixed.
Network Maintenance incl. safety inspections	For meter exchanges and safety inspections, unit rates set with allowance adjusted by actual volume of activities. Other activities allowances are fixed
Customer Engagement	Fixed allowance apportioned and adjusted by actual number of tariff versus non-tariff customers

Cost line	Cost adjustment
Bad Debt	Allowed percentage applied to actual tariff credit revenue
Prepayment Transaction Costs	Pass-through cost
Credit Check Costs	Fixed allowance apportioned and adjusted by actual number of credit customers
Meter Reading	Unit rates set with allowance adjusted by actual number of meters read
Customer Information Bill Processing and Postage	Unit rates set with allowance adjusted by actual volume of activities

- 10.5 In simple terms, tariff rates are calculated by dividing the allowed revenue by the volume of gas units. Tariff unit rates are set at the start of charging periods, therefore the revenue collected may not reflect the revenue allowed. This can be caused by actual gas demand being higher or lower than forecast, and adjustments to allowances due to inflation and any retrospective treatment.
- 10.6 At the reconciliation, we account for this difference in collected revenue and allowed revenue by using an adjustment called k-factor. We also account for the cash flow timing difference by applying an interest rate to the adjustment. This is to reflect the cost to the suppliers of financing the under recovery or the benefits to them of holding any over-recovery.
- 10.7 During SPC23, we applied the financial year average Bank of England base rate plus 1.5% to the k-factor and we propose to apply this again for SPC27.

11. Consultation and Next Steps

- 11.1 Stakeholder engagement plays an important part in our regulation process, and we encourage you to become part of this. We are keen to hear the views of consumers and stakeholders on any issues connected to this price control.

Responding to this consultation

- 11.2 Responses should be received on or before 5:00pm on Friday 28 August 2026 and should be addressed to:

Dwayne Boyle

Utility Regulator

Millennium House

Great Victoria Street

Belfast

BT2 7AQ

Email: gas_retail_responses@uregni.gov.uk with cc to dwayne.boyle@uregni.gov.uk

Our preference would be for responses to be submitted by email

- 11.3 Your response may be made public by the Utility Regulator. If you do not want all or part of your response or name made public, please state this clearly in the response by marking your response as 'CONFIDENTIAL'.
- 11.4 If you want other information that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act 2000, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential.
- 11.5 Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 and the Data Protection Act 2018).
- 11.6 As stated in the GDPR Privacy Statement for consumers and stakeholders, any personal data contained within your response will be

deleted once the matter being consulted on has been concluded, though the substance of the response may be retained.

- 11.7 Copies of all documents can be made available in large print, Braille, audio cassette and a variety of relevant minority languages if required.

Subsequent decisions and key milestones

- 11.8 Once we have considered the responses to this Draft Determination, we will publish a Final Determination of the SPC27 SSE Airtricity Supply Price Control on at the end of October 2026. At the same time, we will publish draft licence modifications which give effect to our Final Determination. These licence modifications will be subject to further consultation in line with the requirements of Article 14 of the Gas (Northern Ireland) Order 1996. Having considered the responses to the consultation, we intend to publish our final decision on licence modifications in December 2026.
- 11.9 Subject to any appeal to our final decision, the licence modifications will be made in February 2027 (56 days after the licence modification decision notice is expected to be published). However, the licence modifications will apply from 1 April 2027. In practical terms, therefore, the timing of the licence modifications coming into force will be designed to ensure that all the licence formalities are fully satisfied, but the application of the new Price Control once the modifications are made will be such as to ensure that the Price Control allowances and outputs will apply with effect from the 1 April 2027.
- 11.10 Any licence modification decision made under Article 14 of the Gas (Northern Ireland) Order may be appealed to the Competition and Markets Authority (CMA) by:
- the licence holder concerned;
 - any other licence holder materially affected by the decision;
 - a qualifying body or association representing a licence holder concerned or a licence holder materially affected by the decision; or
 - the Consumer Council for Northern Ireland.
- 11.11 As set out in Schedule 3A, paragraph 1(3) of the Gas Order, any application to the CMA for permission to appeal is not to be made after the end of 20 working days after the day on which the decision is published.
- 11.12 If an appeal is brought to the CMA, the CMA will, as a first step, decide whether to give permission for the appeal to proceed or not. If permission is granted, the CMA has a period of four months or, in the case of licence

modifications relating to Price Controls, six months, in which to determine the appeal. These timelines can be extended to five months or seven months for licence modifications relating to Price Controls, if required.

11.13 The key milestones described above are summarised in Table 11.1 below.

Table 11.1: SSE Airtricity SPC27 key milestones

Date	Indicative Dates
30 June 2026	UR publishes Draft Determination for eight-week consultation.
28 August 2026	Consultation on Draft Determination closes.
29 October 2026	UR publishes Final Determination and proposed licence modifications.
25 November 2026	Consultation on licence modifications closes.
16 December 2026	Decision on licence modifications published.
1 April 2027	Licence Modifications become effective.

Annex 1 - Apportionment Cost Drivers

The below apportionment methodology is used when setting and forecasting costs for the price control period. Some cost lines are subject to retrospective adjustment, with the methodology for this provided in Chapter 10.

Cost line	Cost treatment
Manpower	FTEs
Staff Engagement	FTEs
Training	FTEs
Recharges	FTEs
Travel and Subsistence	FTEs
Office cost including stationary, telephone and postage	FTEs
Rates	FTEs
Professional and Legal Fees	Number of customers
Insurance	FTEs
Information Technology	Customer bills
Capex	FTEs
Licence Fee	Load in therms
Network Maintenance including safety inspections	All tariff
Customer Engagements	Number of customers
Bad Debt	Credit revenue
Prepayment Transaction Costs	All tariff
Credit Check Costs	Number of credit tariff customers
Bank and Interest Charges	Customer bills
Meter Reading	Number of customers
Customer Information Bill Processing and Postage	Customer bills
Tracing Costs	All tariff
Text Alerts	All tariff

Annex 2 – Customer Service FTEs

As part of its submission, SSE Airtricity has included specific roles which it wishes to fill throughout the SPC27 period, in a bottom-up assessment of its FTE requirements. UR's position is not to consider a bottom-up assessment, as it is the responsibility of the regulated company to assign job roles efficiently and as necessary. In line with our previous price controls, we shall consider the top-down methodology of inflated FTE allowances in line with customer numbers and set this as the baseline.

Alongside this, we have considered SSE Airtricity's analysis demonstrating the requirement for 11 additional Customer Service Agents as a result of the updated Code of Practice on Customer Service standards, in line with our position taken in response to its reopener request for additional FTEs during SPC23.

SSE Airtricity's submission utilises the Erlang C⁹ calculation to determine the required number of customer service agents. The calculation uses a number of input variables as detailed in the table below

Variable	Definition
Number of Calls	The number of calls in a given time
Period of Time	The time period, in this case one workday
Average Handling Time	The time taken to complete calls, including wraparound call handling processes
Required Service Level	The required probability of achieving the target answer time
Target Answer Time	The time taken to answer the call, which in line with the Code of Practice is four minutes
Max Occupancy	Measure of how active the customer service providers are each hour
Shrinkage	Factor to account for holidays, sickness and internal factors

In line with SSE Airtricity's submission, UR is minded to agree with the majority of input variables set within the calculation. A max occupancy of 80% and shrinkage rating of 30% are valid in considering the realities of the call centre operation. The main discrepancy which UR has with SSE Airtricity's submission is the Required Service Level, which SSE Airtricity has set to 99.9%.

⁹ Erlang C is the industry standard model used to calculate the probability that callers will have to wait in a queue based on the intensity of calls and the agreed service level.

Within its submission, SSE Airtricity states that the Code of Practice on Customer Service standards mandate that 99.9% of calls must be answered within four minutes, however the requirement of the Customer Service measure is that consumers must be able to reach their supplier's customer contact centre easily without experiencing an excessive call wait time to speak to an operative (not over an average wait time of four minutes).

To fulfil the requirement, UR requires that the average call wait time not be over four minutes, not that 99.9% of all calls be answered within four minutes. With this in mind, UR has rerun the Erlang C calculation, setting the required service level to 80%. We feel that 80% is a reasonable service level to achieve the monthly average required by the Code of Practice.

With this change, the required additional customer service agents reduces from +11 to +3. In addressing SSE Airtricity's concerns that call numbers could spike significantly, we have modelled the probability of calls being answered within the four minute target time with 33 agents and SSE's winter peak volume of 900 incoming calls. The probability that calls would be answered within the target time was 99.2%. To this end, we are also minded to remove the agency costs proposed to handle any spikes in customer contacts.

Overall, this reduces the total number of additional FTEs in SSE Airtricity's submission from 21 to 13, which is in line with our proposed allowance throughout the SPC27 period.