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Utility Regulator
Millennium House
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Belfast
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Via email: iclicence@uregni.gov.uk

12 February 2026

Dear Marie-Therese,

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

The LirIC Interconnector project is a proposed 700MW High Voltage Direct Current electricity interconnector project from Northern Ireland to Scotland that has been granted a Cap and Floor in principle as part of Ofgem's Window 3.[1] The project is being developed by Transmission Investment ("TI"), a leading independent electricity transmission business in the UK.

We have over ten years of experience developing, acquiring and managing large, complex infrastructure projects. We are one of the largest managers of offshore wind transmission in Great Britain. In total we currently have approximately 4GW of networks, worth over £3 billion in capital employed under management. TI is also leading the development of the FAB interconnector between Great Britain and France, a successful Window 1 project.[2]

There is broad consensus across the industry that progressing with support for this process to ensure additional interconnection to NI is considered in the light of a broad cost-benefit analysis, including from the Northern Ireland Chamber of Commerce and Industry, who recommended the following action in their paper published last month: *"Assess the cost–benefit of further interconnection with Great Britain as part of a balanced, consumer-focused strategy for energy security."*[3]

The approach by the Utility Regulator to seek to do work in parallel is logical given the weight of independent evidence from Ofgem's own analysis for Window 3, DCEE policy analysis[4] and the ENTSOe TYNDP which all point to a positive case for Northern Ireland.

We also strongly approve of the Utility Regulator's inclusion of an indicative assessment timeline in the consultation. As discussed further in our responses below, the needs-case assessment for a regulated operating revenue regime for further interconnection in Northern Ireland is crucial work to be progressed at pace in the context of the interdependencies between the regulatory processes in Great Britain and Northern Ireland and the proposed 2032 operational date for the project.

Our responses to the specific questions are outlined in the attached annex.

[1] Ofgem, Decision on the Initial Project Assessment of the third cap and floor window for electricity interconnectors, November 2024

[2] Ofgem, Decision on the Initial Project Assessment of the FAB Link, IFA2 and Viking Link interconnectors, July 2015

[3] Northern Ireland Chamber of Commerce and Industry, The Northern Ireland Energy Transition: Building Momentum with Common Purpose, January 2026

[4] DCEE, National Policy Statement on Electricity Interconnection 2023, July 2023

To the extent that it would be useful to discuss any of the matters considered in this letter further, we would be very happy to arrange a call or meeting to discuss. Please do not hesitate to get in contact.

Yours faithfully,

Mark Fitch
Corporate Development Director

ANNEX

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

TI views regarding additional interconnection to Northern Ireland

Additional electricity interconnection will play a central role in Northern Ireland's journey to net zero, helping balance electricity supply and demand between the connecting markets, enabling its renewable energy ambitions and improving security of supply. As well as providing significant market, consumer, decarbonisation and energy security benefits, increased interconnection is a key enabler for realising Northern Ireland's, and the Single Electricity Market's ("**SEM**"), ambition of transitioning to become a net energy exporter.

Interconnection has an important role in:

a) creating the necessary export opportunities to match Northern Ireland's growing renewable energy generation capacity;

b) ensuring electricity security and resilience through diversified energy supply and market access;

c) lowering energy prices in Northern Ireland by gaining greater access to low carbon electricity in other markets;

d) facilitating the achievement of a net zero power system; and

e) supporting the carbon reduction targets under the Climate Change Act (Northern Ireland) 2022 ("**NI Climate Change Act**").[5]

Interconnection will only become more important for Northern Ireland as the proportion of the total electricity consumption in the SEM which is sourced from variable renewable generation continues to increase in the years ahead. It also has the potential to lower the overall cost of achieving both Northern Ireland's and the UK's carbon targets, where the renewable content of interconnector flows can be recognised, minimising the need for communities and consumers to bear unnecessary costs or impacts from excess renewable development.

The challenge facing SEM to solve dispatch down

Whilst TI does note the current difficulties being experienced by operators of renewable assets in Northern Ireland in the form of unrealised available energy (i.e. dispatch down), it is important to distinguish between the proper assessment of additional interconnection to Northern Ireland and the factors which cause dispatch down of renewable generation.

TI understands that the current dispatch down issues in Northern Ireland are largely driven by local network constraints, which in 2024 accounted for circa 89% of the total dispatch down in the region.[6] Such constraints are caused by local network configuration limitations and not system wide issues. TI notes that SONI has various network upgrade plans in process to alleviate local network constraints, including the construction of the second North-South Interconnector[7] and the wider programme of network development

[5] Climate Change Act (Northern Ireland) 2022

[6] EirGrid, SONI, Annual Renewable Energy Constraint and Curtailment Report, (29.6% dispatch down, comprising 26.4% constraint and 3.2% curtailment)

[7] SONI, North South Interconnector | Projects

under SONI's Transmission Development Plan.[8] The second North-South Interconnector and some of the key wider network upgrades are scheduled to be commissioned before the LirIC Interconnector project is scheduled to become operational.

In addition, SONI has also recently put in place an action plan to mitigate the current levels of dispatch down of renewables in Northern Ireland.[9]

Based on market fundamentals, TI anticipates that any additional interconnection in Northern Ireland will help reduce oversupply (integrating renewables by providing a flexible source of additional demand when renewable generation exceeds demand).

Further, TI notes that the Commission for Regulation of Utilities ("**CRU**") has recently considered – in the context of the Initial Project Assessment of the MaresConnect electricity interconnector[10] – the broader impact of that project on dispatch down costs in Ireland. The CRU concluded that the overall impact of the project on dispatch down costs is "*uncertain*" and "*not sufficiently large*". As part of its own confidential Socio-Economic Welfare ("**SEW**") studies, TI has reached similar outputs to the CRU position on dispatch down impacts in Northern Ireland. The project is therefore a "low regret" investment delivering significant benefit for consumers in both the short and long-term.

The policy and regulatory framework for additional interconnection in Northern Ireland

TI is pleased to see the continuing coordination and joint working by the DfE and the Utility Regulator on the implications and impact of interconnection with other jurisdictions as noted in the 2024 Energy Strategy Action Plan Report.[11]

The Energy Strategy[12] to which the Action Plan relates ("**Energy Strategy**") set a long-term vision of net zero carbon and affordable energy for Northern Ireland. As a milestone towards achieving net zero by 2050, the Northern Ireland Executive has set a legally binding target to have at least 80% of electricity consumption sourced from a diverse mix of renewable sources by 2030.[13]

Amongst other things, the Energy Strategy specifically notes that the Northern Ireland Executive will "*develop markets and infrastructure that integrate low carbon sources and meet our energy needs in a secure and cost-effective way*". Achieving such policy objectives "*will require a range of complementary approaches to be taken forward as part of an integrated, flexible and resilient system*". A key element of this complementary approach to achieving a resilient and secure electricity system "*includes interconnection with other markets, which allows NI to access low carbon electricity produced elsewhere*".

In addition, the Utility Regulator's principal objective (namely, to protect the interests of existing and future consumers[14] extends to "*the interests of consumers...in the fulfilment by the [Utility Regulator], when carrying out its functions as designated regulatory authority for Northern Ireland, of the objectives set out in Article [58 (c)]… of the Electricity Directive*"[15] This provision includes the objective of "*developing appropriate cross-border transmission capacities to meet demand and enhancing the integration of national markets which may facilitate electricity flows across the Union.*[16]

[8] SONI, Transmission Development Plan Northern Ireland 2023-2032 and the Draft Transmission Plan for Northern Ireland 2025 - 2034 (subject to consultation which closed on 17 January 2026)
[9] SONI, Draft Dispatch Down Action Plan - System Operator for Northern Ireland, December 2024
[10] CRU, Initial Project Assessment of the MaresConnect electricity interconnector, 2 May 2025
[11] Department for the Economy, Energy Strategy - Path to Net Zero Energy - 2024 Action Plan Report, March 2025
[12] Northern Ireland Executive, Energy Strategy - The Path to Net Zero, December 2021
[13] Section 15, Climate Change Act (Northern Ireland) 2022
[14] Article 12(1), Energy (Northern Ireland) Order 2003
[15] Article 12(1A), Energy (Northern Ireland) Order 2003
[16] Article 58, Directive (EU) 2019/944

The Utility Regulator, through the licensing regime, has an important role in assessing electricity interconnection projects in Northern Ireland and deciding on their regulatory treatment in line with its statutory duties.

The Utility Regulator additionally has responsibility for (amongst other things) deciding on the appropriate regulatory support to underpin interconnection investment in Northern Ireland, co-operating with other national regulatory authorities such as Ofgem and approving SONI's and NIE Networks' submissions on national grid infrastructure upgrades that may be associated with new interconnectors connecting to the transmission system.

Taking all the above into consideration, TI are of the opinion that the Utility Regulator progressing towards its assessment of the need for a regulated operating revenue regime for additional interconnection in Northern Ireland (with suitable revenue licence conditions to underpin investment in additional interconnection in Northern Ireland) is in furtherance of such statutory duties.

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

Wider benefits for the UK and the opportunity for coordination with Great Britain

TI welcomes the reference to the continued engagement with Ofgem during the Utility Regulator's needs case assessment to ensure that the separate regulatory approaches to interconnection in Northern Ireland and Great Britain are progressed in a holistic and co-ordinated manner.

Any additional interconnection in Northern Ireland will be key strategic infrastructure within the UK that would be in the short and long-term interest of consumers across all of the UK. Ofgem has accounted for the connecting market perspective as part of its Initial Project Assessment of the third cap and floor window for electricity interconnectors.[17] The level of engagement and regional co-operation with Ofgem is an important factor during step two. It will better enable the Utility Regulator to get a full understanding as part of its assessment on the need for a regulated operating revenue regime in Northern Ireland, including (a) the impact any such regime may have on the broader UK energy targets; and (b) whether it would lead to adequate interconnection capacity between Great Britain and Northern Ireland.

In December 2024, the UK Government published its Clean Power 2030 Action Plan,[18] which outlines how it will achieve a clean power system by 2030. As part of this, the UK Government expects to have between 12 to 14 GW of interconnector capacity by 2030. The success of the "clean power mission" will deliver benefits to all of the UK, including consumers in Northern Ireland.

Whilst energy policy is largely devolved to the Executive, and it has produced its own plan to decarbonise the power sector, the Clean Power 2030 Action Plan specifically notes that "*taking a holistic four nations approach will increase the benefit for the entire UK*". The implementation of the Clean Power 2030 Action Plan is on the pathway to reach net zero by 2050 which, as enshrined in law, includes Northern Ireland.

The approach taken to date is in line with the consultation and co-operation obligations of the Utility Regulator under Article 8A of the Energy Order.[19] We also note the specific powers held by the Utility Regulator under Article 8 of the Energy Order enabling it to liaise, co-operate and enter into arrangements with relevant persons excising regulatory functions in other parts of the UK.[20]

[17] Ofgem, Decision on the Initial Project Assessment of the third cap and floor window for electricity interconnectors, November 2024
[18] UK Government, Clean Power 2030: Action Plan: A new era of clean electricity, December 2024
[19] Article 8A, The Energy (Northern Ireland) Order 2003
[20] Article 8, The Energy (Northern Ireland) Order 2003

We encourage and welcome the continued consultation and co-operation between the Utility Regulator, Ofgem and relevant government departments in accordance with these statutory provisions. This provides the opportunity to take a holistic view of the regulatory framework to maximise the benefits for all consumers in Northern Ireland and across the UK, e.g. to balance the financial risks between the two ends of the interconnector. For example, the Great British Energy Act 2025[21] could be considered, specifically in relation to the possibility of potential funding that may enable the balancing of costs and benefits associated with additional interconnection to ensure that cross-border costs are balanced fairly across the UK.

Wider benefits for Northern Ireland to deliver policy outcomes

Levelling Up and Regeneration Act 2023

Additional considerations that could also be included within the step two workstream may include looking to legislation with UK-wide implementation, such as the Levelling Up and Regeneration Act 2023[22] and its associated missions.[23]

For example, Mission 1 (Living Standards) provides that:

"*By 2030, pay, employment and productivity will have risen in every area of the UK, with each containing a globally competitive city, and the gap between the top performing and other areas closing.*"

Energy costs are extremely relevant to this mission, both in terms of the cost of living for consumers and by ensuring businesses in Northern Ireland (particularly in sectors such as manufacturing) are able to compete on a level playing field with those in Great Britain and internationally. The project will aid in supressing energy prices in Northern Ireland which will contribute to improving the living standards of domestic consumers as well as unlocking additional economic benefit for businesses in Northern Ireland.

Also relevant to consider are Mission 7 (Health) and Mission 8 (Well-being). The project will deliver a clear positive contribution towards the mission to improve public health through reduced emissions - aligning with the objective of creating cleaner, greener, healthier communities.

Environment Act 2021 / Environmental Improvement Plan

It may also be useful to view additional interconnection in Northern Ireland in conjunction with the objectives in the Environment Act 2021[24] and environmental improvement plan published by the NI Executive. For example, the future/vision outcome under Strategic Environmental Outcome 6 (Net zero greenhouse gas emissions & improve client resilience and adaptability) includes a number of policy ambitions that are well-aligned with the project e.g.:[25]

a) achieve net zero Northern Ireland greenhouse gas emissions by 2050;

b) reduce unnecessary emissions;

c) transition to a net zero carbon, affordable and resilient energy system; and

d) deliver an environment, society and economy which are resilient and adapted to the current and predicted impacts of climate change.

[21] Great British Energy Act 2025
[22] Levelling-up and Regeneration Act 2023
[23] Statement of Levelling Up Missions - GOV.UK, February 2024
[24] Environment Act 2021
[25] Northern Ireland Executive, Environmental Improvement Plan for Northern Ireland, September 2024

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.

TI agree that the models listed by the Utility Regulator are the main commercial interconnector developer ownership models. However, from a consumer perspective, these models carry very different risk profiles.

For the existing operational interconnector in Northern Ireland (as a fully regulated model), all (as opposed to the majority) of revenue risk is allocated to Northern Ireland consumers.

A key distinguishing feature between the fully regulated model and the cap and floor ("C&F") model is that under the C&F model (and merchant model), it is interconnector developers (and not consumers) that take all development and capital expenditure risk. Under the fully regulated model, it is consumers that underwrite such expenditure.

It is also worth noting that there have been ongoing adjustments to the default regime of the Ofgem C&F model to enable project finance solutions. These regime variations are in the interests of consumers and worth specifically noting in the context of additional interconnection to Northern Ireland. Similarly for merchant models, there are a variety of arrangements to enable investment, primarily relating to the details of Exemptions from EU Regulations which typically include the treatment of revenues and excess profit sharing arrangements.

In October 2019, Ofgem published a consultation on proposed changes to its C&F regulatory framework to allow electricity interconnectors to broaden their sources of finance.[26] In May 2020, Ofgem then published its decision which confirmed certain aspects of its consultation position and set out regime variations to enable project finance solutions.[27]

As noted in the Utility Regulator's consultation document, Ofgem publishes guidance on the interconnector C&F regime in the form of a handbook.[28] The handbook explains the C&F regime and where to find policy information on the regime, and contains links to key decisions, guidance, and other documents. It also gives detail on implementation of the regime through the interconnector licence and related legislative requirements, and the assessment framework that Ofgem operates to determine the C&F levels that will apply to a project. TI would be delighted to facilitate a workshop with the Utility Regulator on its practical experiences and learnings of the C&F regime and how these may be best applied, in the interests of consumers, in the context of Northern Ireland.

TI also welcome the reference to the role of government grants on both sides of the connection in the consultation document. With the UK-wide remit of Great British Energy as part of the Clean Power Action Plan 2030[29] (as discussed in responses to questions 1 and 2 above), and previous government subventions to support strategic infrastructure projects aligned with Northern Ireland policy objectives (i.e. such as the Gas to the West project),[30] it would be worth the Utility Regulator exploring such capital grant options as part of its assessment work. A government grant and/or a role for a public sector organisation such as Great British Energy may help support the funding arrangements for additional interconnection in Northern Ireland.

[26] Ofgem, Consultation on proposed changes to our electricity interconnector cap and floor regime to enable project finance solutions, October 2019

[27] Ofgem, Decision on proposed changes to our electricity interconnector cap and floor regime to enable project finance solutions, May 2020.

[28] Ofgem, Interconnector Cap and Floor Regime Handbook, December 2024

[29] Ofgem, Clean Power 2030: Action Plan: A new era of clean electricity, December 2024

[30] Gas to the West | Project details.

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.

We agree with the proposed approach by the Utility Regulator. It recognises there are several wider impacts of additional interconnection in Northern Ireland. It is important, in our view, that the criteria and principles to be applied by the Utility Regulator during this assessment reflect the full range of potential, current and future impacts (particularly in the context of the UK's net zero commitment as discussed above). The criteria and principles to be applied must take into full consideration a range of factors, including wider qualitative impacts, that could contribute to the interests of Northern Ireland.

The multi-criteria approach put forward by the Utility Regulator in the consultation is therefore welcomed by TI as it does not solely focus on a socio-economic welfare analysis/study for the assessment and recognises that decisions on long-term strategic infrastructure are inherently uncertain and wider societal and environmental benefits should also be assessed. The Utility Regulator's proposed approach allows for the incorporation and proper consideration of the evidence available and other indicators to be properly accounted for in its decision making.

We are also supportive of the system impact analysis to be undertaken by SONI as it will provide an independent analysis of the impact on the system of the project and provide insight on how its current action plan will deliver a strong and secure system, ready to integrate additional renewables supported by the Renewable Electricity Price Guarantee. It will be important that the SONI analysis is completed on time and uses a common set of assumptions with the other analysis informing the Utility Regulator's decisions.

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

TI believes that undertaking this work in parallel and the continued coordination and cooperation between the Utility Regulator and Ofgem is the common-sense way to ensure that the opportunity for additional interconnection for Northern Ireland remains available. The assessment of any regulated model needs sufficient definition and therefore it makes sense to develop the licence terms and formulae in parallel to ensure consistency of reality with the modelled outcome.

It should also be recognised that once the need for a regulated revenue regime for future interconnection is proven by the Utility Regulator's analysis, then the ability to deliver a project to meet that need requires certainty in the regulatory arrangements. As noted by the Utility Regulator, an interconnector is a large scale and complex cross-jurisdictional asset which requires close co-operation and engagement across a wide range of stakeholders and it is therefore in the interests of Northern Ireland that this process concludes in good time in order to ensure that, if the needs case is proven, the LirIC project can move forward and achieve commercial operation in 2032.

If the LirIC project is not taken forward, any new interconnector project is likely to be more than a decade away from operation, as (a) there is no indication at present that Ofgem will announce a fourth C&F application window for new interconnectors connecting to Great Britain; and (b) no alternatives to LirIC are being developed. This will leave Northern Ireland more isolated, with higher electricity prices and reliant on emerging technologies for system flexibility such as long-duration storage, for which a support regime is also yet to be determined.

The needs-case assessment for a regulated operating revenue regime for further interconnection in Northern Ireland is therefore crucial work to be progressed at pace given the interdependencies between the regulatory processes and indeed the wider development activities and material expenditure currently being progressed by TI (at no risk to the consumer) on the project in order to meet the proposed operational date of 2032.