By Email Only:

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PROPOSED MODIFICATIONS TO NIE NETWORKS' TRANSMISSION AND DISTRIBUTION LICENCES

Dear Colin,

Budget Energy Limited, as part of Flogas Ireland (Flogas), which also includes Flogas Enterprise Solutions Limited (FES) and Flogas Natural Gas Limited (Flogas NI), welcomes the opportunity to respond to the Utility Regulator's consultation on the proposed modifications to NIE Networks' transmission and distribution licences. Budget Energy, based in Derry, Northern Ireland, serves over 120,000 customers, while Flogas NI and FES contribute significantly to energy provision across the region. Our entities operate under DCC plc Group, with a portfolio of renewable energy generation facilities, including solar, wind and anaerobic digestion. For this response, we shall collectively refer to the group as Flogas or Budget Energy.

While Budget Energy support the objective of maintaining a resilient electricity network, particularly in light of recent severe weather events, and recognise the importance of reducing disruption for consumers. We also accept that the regulatory framework must allow the network operator to respond to exceptional circumstances and continue to finance its activities appropriately. Although these proposals are primarily focused on network regulation and are unlikely to change suppliers' day-to-day operations in a direct way, they do have wider implications for the supply market and for customers. Changes in how network costs are recovered will ultimately feed through to tariffs, customer bills and supplier pricing decisions.

Regarding the proposal on the correction to licence inconsistencies, these appear to be purely administrative and hence we have provided no substantive comments on the basis they do not alter the underlying intent or operation of either the licence.

It is our view; the proposals represent a meaningful shift in how costs and risk are treated within the RP7 framework. RP7 only commenced on 1 April 2025 and was intended to provide a stable and predictable basis for cost recovery over the price control period. The greater use of additional allowances and pass-through mechanisms outside that framework points to a move towards faster cost recovery than was originally envisaged.

While there is a clear rationale for allowing timely recovery of exceptional costs, this approach will increase bill volatility and reduce pricing predictability for suppliers. In practice, that means ultimate risk sits with customers and the supply market, despite suppliers having little or no ability to influence the underlying cost drivers.

With that in mind, we have set out our comments below in line with the structure of the consultation.

Additional Allowances for Network Resilience

We support targeted investment in network resilience where there is clear evidence that it will deliver a meaningful benefit for consumers.

The example set out in the consultation, namely accelerated resilience tree cutting on the 11kV network, appears to show a tangible reduction in disruption during severe weather events for a relatively modest bill impact. In principle, that is the type of investment we would support, provided the supporting evidence is robust and the case for value for money is clear.

That said, the proposed framework for determining additional allowances is relatively broad. Terms such as "sufficiently material" and "significant reduction in impact" leave room for judgement, so clear governance and transparent decision-making will be important.

Budget Energy would welcome transparent cost-benefit assessments for each proposal, clear evidence requirements, visibility of how decisions are made, and assurance that there is no overlap with costs already recovered through RP7.

As this mechanism is intended to apply on an ongoing basis, consistency and transparency will be important in giving market participants and consumers' confidence in how it is used.

Severe Weather Recovery Costs

There is a clear case for introducing a mechanism that limits NIE Networks' financial exposure to extreme weather events, particularly where costs may exceed historic assumptions by a significant margin.

However, the proposed approach does involve a clear shift in risk allocation. If costs above the annual threshold can be fully recovered from consumers, more of that ultimate risk moves away from the network operator and onto customers.

From a supplier perspective, this creates a practical challenge. Suppliers do not control these cost drivers, but they are expected to absorb the pricing uncertainty, reflect changes through tariffs, and manage the resulting customer response. Greater reliance on pass-through recovery therefore reduces pricing certainty and makes it more difficult to offer stable and predictable tariffs.

The consultation also acknowledges that this approach is likely to increase tariff volatility in the period following severe weather events. That is particularly relevant for customers in vulnerable circumstances and for households already under affordability pressure.

In relation to the proposed thresholds, we note that these appear to have been informed by historical data where available. Given their importance, they should be clearly justified, proportionate and applied consistently over time.

We understand the rationale for applying the cap on an annual basis rather than across the full price control period, but the practical effect is that costs may be recovered more quickly and with less smoothing than under the current arrangements.

The proposal to prioritise operational expenditure for pass-through recovery reinforces that point. While the intention is to align recovery with the timing of the benefit, it also means costs may feed into tariffs more quickly, with a more immediate effect on bills.

Overall, while the objective of ensuring financeability is understood, we consider that greater weight should be given to bill stability, customer affordability and wider market predictability.

Non-Locational Charging (DUoS)

Budget Energy do agree that unintended outcomes in the current licence drafting should be addressed, particularly where customers who reduce demand could otherwise be disadvantaged. In principle, the proposed changes improve clarity and remove a counterintuitive outcome. A more stable and predictable approach to tariff categorisation is a positive development. However, while overall DUoS revenue remains unchanged, the proposal may still redistribute costs between customer groups. Even where the overall financial impact is limited, changes of this nature can still drive system amendments, billing changes and increased volumes of customer contact or challenges.

Clear guidance and sufficient implementation time will be important. Where the proposal results in changes to pricing, we would recommend a minimum six-month lead-in period to allow suppliers adequate time to implement system, billing and customer communication changes.

IT Investment Flexibility

There is a reasonable basis for allowing greater flexibility in the timing of future IT investment decisions, particularly where there is uncertainty around dependencies such as smart metering. Allowing decisions to be taken when better information is available is reasonable. That said, this should be balanced against the need to give market participants enough clarity on likely timings and dependencies. For that reason, we would welcome transparency on revised timelines and continued visibility of key programme developments so that uncertainty can be managed as far as possible.

Overall, we support the objective of improving network resilience and recognise the need to respond to the increasing impact of severe weather events. At the same time, the proposals represent a broader shift in how costs and risk are allocated across the market. Greater reliance on additional allowances and pass-through mechanisms creates the potential for more price volatility and less predictability. That matters for both suppliers and customers. Suppliers have limited ability to influence these costs yet are expected to manage the commercial and operational consequences, while customers ultimately feel the impact through their bills.

We would therefore encourage the Utility Regulator to ensure that any changes are implemented in a way that is transparent, supports price stability where possible, and gives proper weight to affordability and customer impact.

We remain committed to engaging constructively and would welcome further discussion as these proposals develop.

Kind Regards,

Fionnuala Mellon

Regulation and Compliance Analyst
On behalf of Budget Energy and Flogas Group