CONCLUSION OF FIRMUS ENERGY (SUPPLY) LTD'S REGULATED TARIFF REVIEW

Effective 01 October 2026

04 September 2026

Utility Regulator

www.uregni.gov.uk

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

Protecting consumers is at the heart of the Utility Regulator's (UR) role and ensuring that consumers pay the correct price for gas from the price regulated supplier, firmus energy (Supply) Ltd (FES), is a core part of our work.

We commenced a review of the maximum average price with FES in August 2026, with current tariffs in place since July 2026. We have scrutinised the submission provided by FES to ensure that the maximum average price that we approve is not more than the sum of the costs allowed under the price control determination.

This ensures that customers pay no more than the costs of purchasing and supplying gas, plus a pre-determined allowance for the operating costs of the business in addition to an agreed profit margin.

AUDIENCE

This document will be of interest to consumers and consumer groups; industry; political representatives, stakeholders and statutory bodies.

CONSUMER IMPACT

The key outcomes of this review will take effect on 1 October 2026.

In summary:

a) The current maximum average price will increase to 242.60 pence per therm (which is an increase from the current rate of 222.60 pence per therm);

b) This means that a typical bill for an average domestic credit customer will increase from around £973 to circa £1,060 per year;

c) This equates to an increase of approximately 9%[1] or circa £87 per year (including VAT).

1 Actual change in maximum average price is 8.98%, for the purposes of this paper we have rounded off to 9%

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1. Utility Regulator's Review of the firmus energy (Supply) Ltd Maximum Average Price (Ten Towns area)

Summary and Key Messages

1.1 The current tariff rates for firmus energy (Supply) Ltd (FES) customers have been in effect since 1 July 2026. These rates were set as part of an 'ad hoc' tariff review, which was deemed necessary following the conflict in the middle east and the impact it was having, and continues to have, on global wholesale gas prices.

1.2 In August 2026 the Utility Regulator (UR), in consultation with FES, the Department for the Economy (DfE) and the Consumer Council Northern Ireland (CCNI) began a review of the FES maximum average price for domestic customers and small business customers who use less than 2,500 therms of gas per year.

1.3 Following this process, the UR has approved an increase of the maximum average price per therm[2] to take effect on 1 October 2026. This means the average annual bill for a domestic credit customer[3] will increase by around £87.

Table 1 - FES Average Annual Bill (based on an average 12,000 kWh consumption)

Annual Bill (All incl. VAT)	Since 1 July 2026	From 1 October 2026	% change
Average Annual Bill (£ / year) for a **domestic credit customer**	£973	£1,060	9%

2 Pursuant to condition 2.4.2 of the firmus energy (Supply) Ltd licence for the supply of gas in Northern Ireland

3 Based on annual consumption of 12,000 kWh

1.4 Table 2 summarises the changes to unit rates which will be payable by credit, pay-as-you-go (PAYG) and small business customers of FES.

Table 2 – FES unit rate comparison

Rates (All incl. VAT)	From 1 July 2026	From 1 October 2026
Tariff Rate per unit (p / kWh, incl. 5% VAT) for a **domestic credit customer**[4]	8.10	8.83
Tariff Rate per unit (p / kWh, incl. 5% VAT) for a **domestic PAYG customer**	7.92	8.64
Tariff Rate per unit (p / kWh, excl. VAT) for a **small business customer**	7.94	8.65

Key Outcomes of the Review

1.5 The key outcomes of this review will take effect on 1 October 2026. In summary:

a) The current maximum average price will increase to 242.60 pence per therm (which is an increase from the current rate of 222.60 pence per therm);

b) This means that a typical bill for an average domestic credit customer will increase from around £973 to circa £1,060 per year;

c) This equates to an increase of approximately 9% or circa £87 per year (including VAT).

1.6 The increase in the FES maximum average price primarily reflects:

a) An increase in the cost of wholesale gas; and

b) the resultant increase in the under-recovery position.

1.7 This tariff is being set over a 12-month period and will cross over the two price control periods SPC 23[5] and SPC 27[6], hence FES has used figures from SPC 27 draft determination along with SPC 23 final determination for this review. This also has an impact on the OPEX figures that makes up

4 Direct Debit discount of £22.00 per annum

5 Price Control for firmus energy (Supply) Ltd 2023 – 2026 (SPC 23) Final Determination

6 Price Control for firmus energy (Supply) Ltd 2027 – 2030 (SPC 27) Draft Determination

the maximum average price. More details on this can be found from section 2.29 onwards.

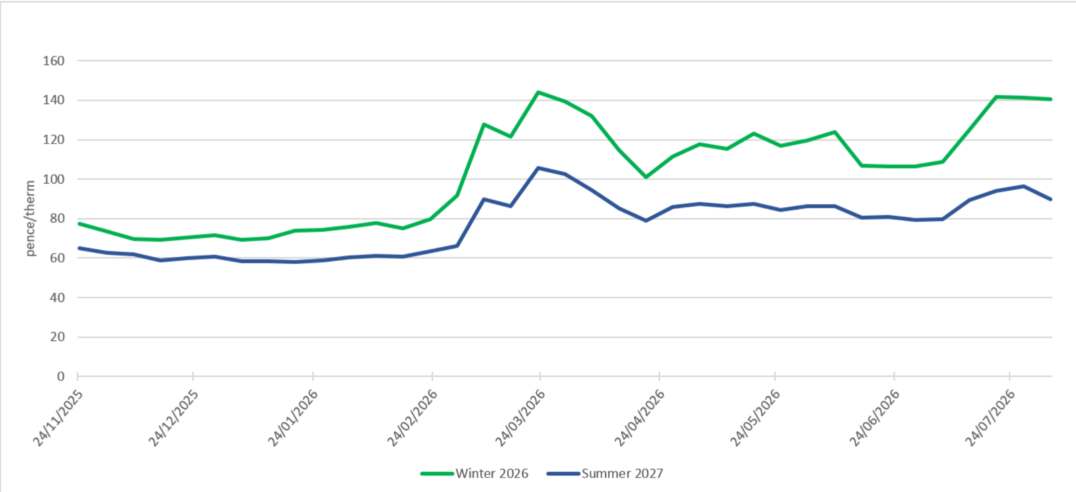
1.8 Key outcomes and explanations for the changes are provided in subsequent sections of this paper.

Reasons for the Change

Cost of wholesale gas

1.9 UR completed an 'ad hoc' review of the regulated gas tariff for FES in May 2026 following the continuing conflict in the middle east since late-February and the resultant increase in wholesale gas prices. This resulted in an increase of around 15.7% for FES customers, effective 1st July 2026. The conflict in the Middle East is ongoing, resulting in continued volatility of wholesale gas prices (this is illustrated in Figure 1).

Figure 1 – Movement in forward curve of wholesale gas cost



1.10 In recent weeks we have seen the wholesale price of gas reaching 180 pence per therm. This is twice as high as pre-conflict levels. The increase in forecast wholesale gas costs, driven by ongoing geopolitical tensions, has been a key contributor to the rise in the maximum average price.

1.11 In addition, European gas storage levels are below the average level when compared to the previous two years, contributing to the upward pressure to wholesale gas prices.

1.12 Since our last review, FES' wholesale gas costs have increased from 106.22 pence per therm to 116.56 pence per therm in the forthcoming tariff period, effective 1 October 2026.

1.13 It is important to note that an element of the gas price included within the maximum average price for the 1 October 2026 tariff is a forecast cost and actual outturn prices may be higher or lower. This element is the cost of the gas that has not already been bought (hedged) by FES to date.

Under-recovery

1.14 In addition, the maximum average price coming into effect from 1 October 2026 includes an under-recovery of 4.79 pence per therm. This is an increase from 0.72 pence per therm under-recovery from the current tariff period. This is due to the increase in actual and forecast wholesale gas costs for the forthcoming tariff period.

Table 3 – Wholesale Costs & Over Recovery within Maximum Average Price

Elements within Maximum Average Price	Since 1 July 2026 (p/therm)	Effective from 1 October 2026 (p/therm)
Wholesale Gas Cost	106.22	116.56
(Over)/Under Recovery	0.72	4.79
Total Wholesale Gas Cost and (Over)/Under Recovery	106.94	121.35

1.15 Overall, the combined cost of wholesale gas and over/under-recovery has increased from 106.94 pence per therm in the 1 July 2026 tariff to 121.35 pence per therm in the 1 October 2026 tariff, as shown in Table 3. The rise in commodity costs is the key driver for the forthcoming FES tariff increase of 9%.

Opex

1.16 This tariff review also reflects the OPEX allowances proposed in UR's draft determination for the next FES price control, SPC 27. More details on this can be found in the 'supplier charge' section of this paper.

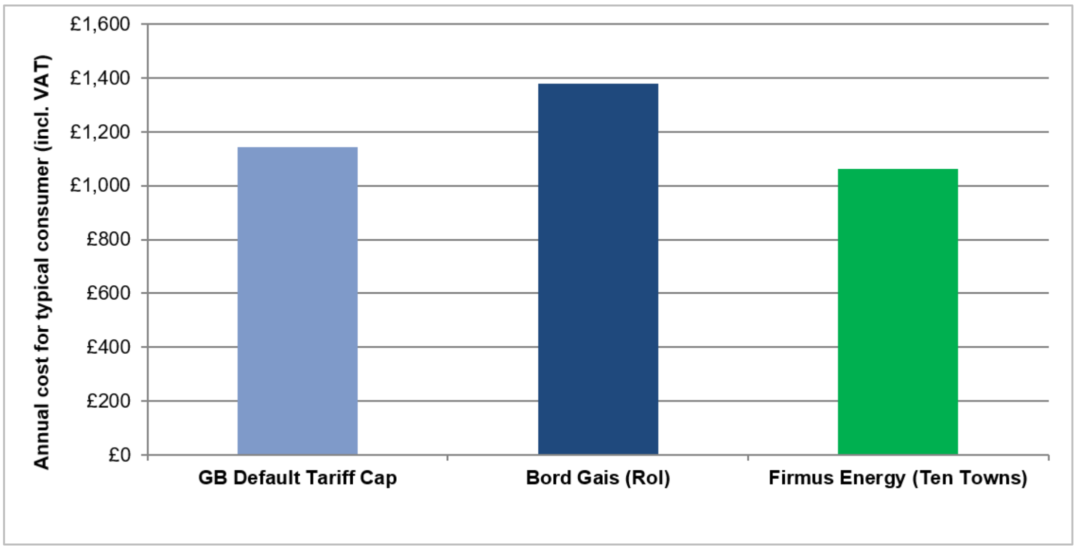
1.17 The OPEX figure that constitutes the maximum average price coming into effect from 1 October 2026 is 22.50 pence per therm. To note, this was 17.15 pence per therm when the previous tariff was set in July 2026.

Comparison with GB and Ireland

1.18 The FES tariff for an average domestic standard credit customer in the Ten Towns from 1 October 2026 will be c.7% cheaper that the GB Gas Price Cap and c.23% below the Bord Gáis standard tariff in Ireland.

1.19 Figure 2 shows the typical FES domestic standard credit tariff from 1 October 2026, compared with Bord Gáis[7] in Ireland and the Default Tariff Cap[8] level in GB[9].

Figure 2 - Comparison of average annual domestic bills



What Happens Next

1.20 The new tariff will take effect on 1 October 2026.

1.21 The new maximum average price has been modelled and forecast over a period of 12 months.

1.22 We will complete another review in advance of 1 April 2027.

1.23 In light of the recent global developments, we will continue to monitor the gas prices and regulated tariffs to identify if any additional review is required before then.

7 [Bord Gáis Energy - Tariffs and Prices]

8 [Default tariff cap level: 1 October 2026 to 31 December 2026 Average across all regions]

9 The average annual bill amounts in this graph have been calculated based on actual tariff unit rates (including VAT) and are based on average annual consumption of 12,000kWh.

2. Contextual Information

Background

2.1 In Northern Ireland, there are three distinct distribution areas for natural gas. These are the Greater Belfast area, the Ten Towns area and the West area. Phoenix Energy Group Limited own and operate the distribution network in the Greater Belfast area, Kinecx Energy Limited[10] own and operate the distribution network in the Ten Towns area, while Evolve[11] own and operate the distribution network in the West area.

Figure 3 - The gas network in Northern Ireland

2.2 FES holds a licence to supply gas to customers in the Ten Towns area. This licence was granted to FES with a period of exclusivity for supplying gas to customers within this area, meaning that FES was the only company allowed to supply gas within the Ten Towns area during this period.

2.3 From 1 April 2015, the supply market in the Ten Towns area opened to competition for new entrant suppliers in all customer sectors. However, FES is currently the only supplier for domestic consumers in this market. FES currently supplies around 76,863 domestic and small business[12] customers (referred to as "tariff" customers) in this area.

10 Kinecx Energy Limited, formerly Firmus Energy (Distribution) Limited, rebranded on 17 September 2025.

11 Evolve is the trading name of SGN Evolve Network Ltd (former trading name was SGN Natural Gas Limited from April 2015 – September 2023).

12 Figure provided by firmus Energy Supply Ltd.

Regulatory Framework

2.4 The UR has established a price control determination which sets out FES' allowed costs. The price control determination sets out how each of cost element that make up the maximum average price will be treated.

2.5 FES uses the maximum average price to set the actual tariffs that are charged to the customers. The tariffs are calculated on a weighted average basis, determined by the average usage and the number of customers using each tariff. FES cannot charge more than the maximum average price overall.

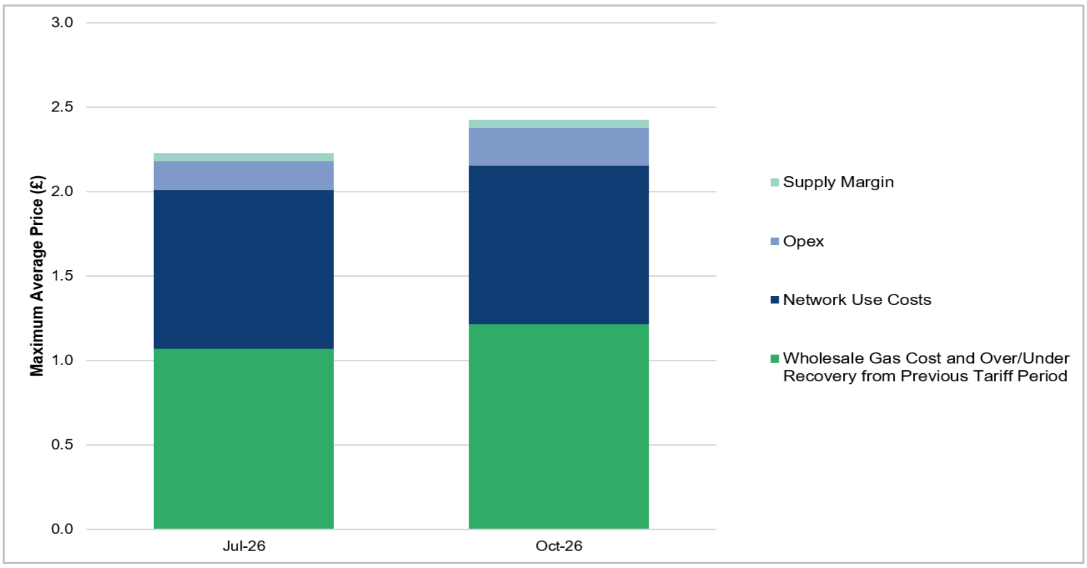
Breakdown of Maximum Average Price

2.6 The UR carries out formal reviews of the FES maximum average price on a bi-annual basis (in advance of April and October). The UR can also initiate a further review at any stage should the wholesale cost of gas change significantly such that it would result in an increase or decrease of at least 5% to the maximum average price. On an ongoing basis we analyse the cost of wholesale gas on the forward curve, along with the forward purchases that FES has made to date.

2.7 The UR scrutinised FES' submission, ensuring that the maximum average charge per unit supplied is not more than the sum of the input costs allowed in the price control formula.

2.8 The graph shown in Figure 4 below compares the breakdown of the October 2026 maximum average price with a breakdown of the previous maximum average price set in July 2026.

Figure 4 – Breakdown of October 2026 maximum average price compared with previous maximum average price

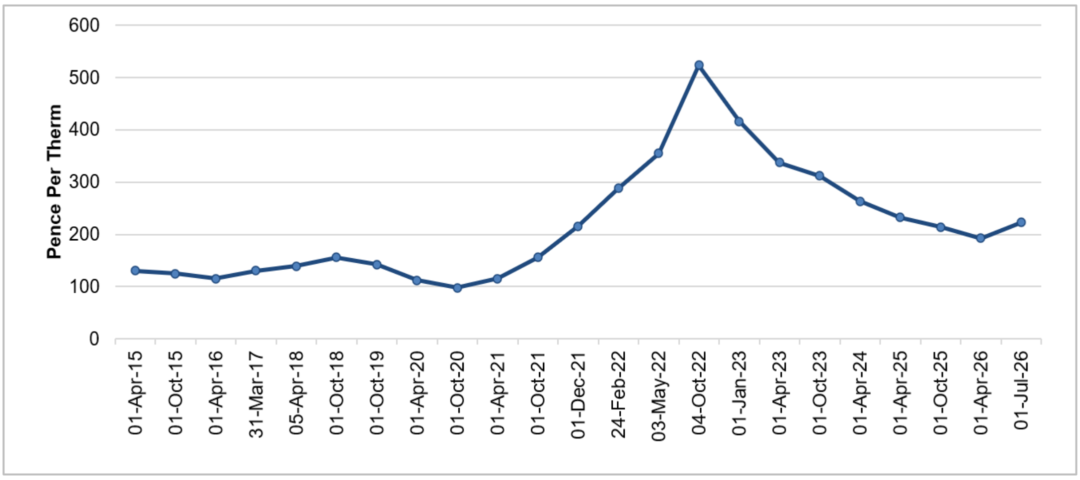


2.9 Figure 5 below shows the movement in the regulated maximum average price since April 2015, when the first FES regulated tariff took effect. This indicates that it was reasonably consistent until the end of 2021. After 2021, wholesale natural gas prices increased significantly, primarily due to geopolitical tensions arising from Russia's invasion of Ukraine. Demand for gas was high with a reliance on imports from across Europe, but supply levels subsequently decreased.

2.10 Since the end of 2022, the price has declined steadily but remains higher than historic norms pre-2021. More recently, developments in the Middle East have contributed to the increase in the maximum average price due to uncertainty around supply and concerns regarding replenishing inventory levels ahead of next winter.

2.11 To note, Annex 1 provides a breakdown of the historic maximum average price.

Figure 5 - Historic maximum average price



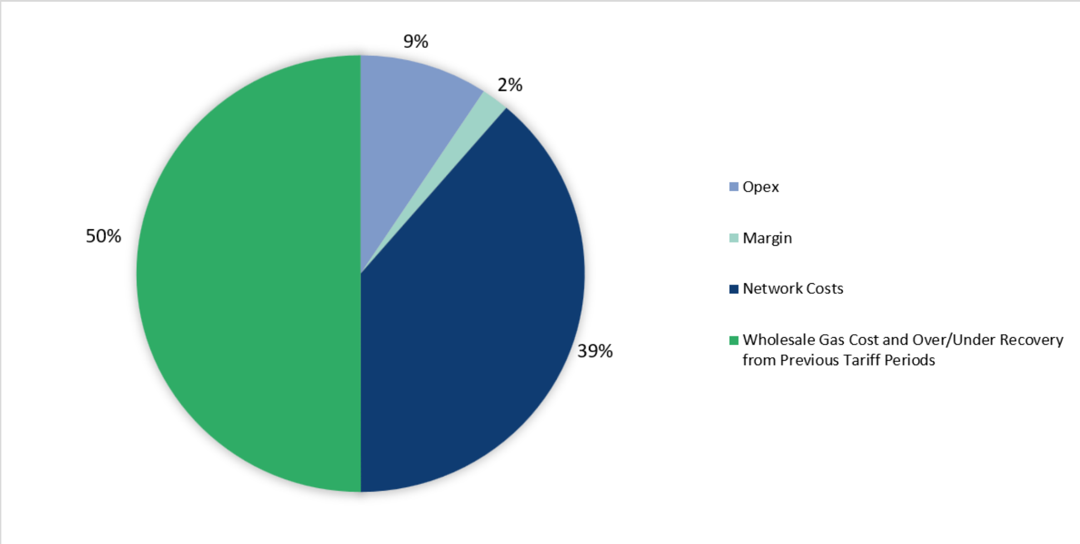
What makes up the Maximum Average Price

2.12 The maximum average price is made up of the following elements and is shown in Figure 6 below:

- Network costs;
- Wholesale cost of gas; and
- Operating costs and supply margin.

2.13 The breakdown is shown in Figure 6 below.

Figure 6 – Makeup of the maximum average price from 1 October 2026



2.14 Each element that makes up the maximum average price has been described in detail in the following section of this paper.

Wholesale Cost and Correction Factor

2.15 As determined within the FES price control, the gas cost element of the maximum average price incorporates the wholesale cost of gas as well as charges for transporting gas through Great Britain and costs for securing credit cover associated with purchasing wholesale gas.

2.16 The FES price control determines that gas costs are treated as pass through which means that a customer pays no more or less than the actual cost of gas. Therefore, where wholesale gas costs decrease or increase over those set in the tariff, the resulting savings or additional costs are passed on to customers.

2.17 FES has a gas purchasing strategy in place which means that it purchases a percentage of its forecast volumes in advance on an ongoing basis. This is known as hedging and limits exposure to more short-term fluctuations in wholesale gas prices and therefore aims to create more stability in the gas price for customers.

2.18 It is important to note that FES' hedging strategy will be specific to it and, due to the specific timing of forward gas purchases, the price paid will be different from other suppliers who will purchase different volumes at different time periods (and hence at different prices as the gas market moves on a daily basis). Hence, the overall wholesale cost of FES will likely always differ somewhat from that of other gas suppliers even though they are purchasing from the same gas market. However, over the mediumterm, the gas cost element of the end customer bill will be broadly the same for the two regulated gas suppliers in Northern Ireland.

2.19 At the time of this review, the overall cost of gas for the maximum average price is estimated based on a combination of actual forward gas purchases that have already been secured, along with forecast volumes of gas required, and the forecast wholesale cost of that gas which is yet to be bought (based on the gas price forward curve). Buying gas in advance (hedging) can help to reduce any over/under recoveries building up as the price of the hedged gas in the maximum average price is known when the price is set.

2.20 Wholesale gas costs make up a large component of the final maximum average price. As these costs can be volatile, there will always be a difference between the outturn cost of the wholesale gas that is yet to be purchased compared to the forecast costs that were included when the maximum average price was set.

2.21 Where the wholesale gas costs outturn less than forecasted in the maximum average price, FES will 'over recover'. This means that they recovered more money from customers than they spent on gas costs, and they will subsequently refund the over recovered difference to customers in the following tariff period.

2.22 Alternatively, where the wholesale gas costs turn out higher than forecast in the maximum average price, FES will 'under recover'. This means they spent more on gas costs than they recovered from customers, and they will therefore be able to charge back the under recovered difference to customers in the following tariff period. This ensures that customers only pay for the actual cost of gas. Therefore, each maximum average price includes an amount of over or under recovery which was accumulated during the previous tariff periods.

2.23 Both FES and the UR strive to keep the over/under recovered amount as low as possible in order to avoid distortion of the maximum average price. This is carried out through ongoing monitoring and tariff changes being applied when over or under recoveries are accumulating to such an extent that they would adversely affect the tariff.

2.24 From 1 October 2026 the whole sale cost and correction factor will make up 50% of a typical gas bill for a FES customer.

Network Costs

2.25 Network costs cover the charges for the use of the Northern Ireland transmission and distribution systems. These charges are reviewed and approved by the UR as part of the network price controls. From 1 October 2026, network costs will make up 39% of a typical gas customer bill.

2.26 The FES price control determined that the transmission and distribution system charges will be treated as pass through charges. This means that a customer pays no more or less than the actual cost of network charges.

2.27 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, and all the transmission pipelines within Northern Ireland. These costs are published on the Gas Market Operator NI and National Grid websites.

2.28 The costs for the distribution system are those costs associated with moving gas throughout the Ten Towns area to homes and businesses. On 28 October 2022, the final determination on the price control for Northern Ireland's gas distribution networks for 2023-2028 (GD23), and associated licence modifications for consultation, were published. GD23 is the distribution price control for Phoenix Energy Group Limited, Kinecx Energy Limited and Evolve which runs from 1 January 2023[13]. The distribution price control determines the amounts that Kinecx Energy Limited can charge for suppliers to use the Ten Towns network. These can be found on the Kinecx Energy Limited's website.

Supplier Charge

2.29 In September 2022 the UR published the final determination for the FES price control, SPC 23 which indicates the total amount of revenue that the Licensee can recover, in any relevant year, in respect of the gas supply business. This price control determination runs from 1 January 2023 to 31 December 2026.

2.30 As the existing FES price control (SPC23) is set to expire on 31 December 2026, UR has published a draft determination for the next price control (SPC27) which will apply with effect from 1 January 2027 until December 2030. Owing to this tariff review falling between SPC23 and SPC27, a combination of the allowances from the final determination of SPC23 and draft determination of SPC27 has been used for this review.

2.31 The SPC 27 allowances have been assessed against FES' revised operating model following its separation from the distribution network operator, Kinecx distribution network company (formerly Firmus Energy Distribution) and take account of evidence relating to the loss of operational synergies.

13 Final determination GD23

2.32 Although the proposed allowances are higher than those in the current price control, they are significantly below the levels requested by the company. The UR will consider all consultation responses before reaching a final decision and seek to ensure that the final allowances deliver an efficient and reasonable outcome for consumers.

2.33 Final determination allowances will be considered for future FES tariff reviews, and any relevant reconciliations will likely form part of future reviews.

2.34 The OPEX costs make up 9% of bills from 1 October 2026 as depicted on figure 6.

2.35 In addition to the OPEX, supplier charge also consists of an allowed margin. This refers to the amount of profit FES is allowed to make. The margin was determined within the price control and was set at 2% of allowable turnover from tariff customers. The margin set out in SPC23 is 2% which remains unchanged in the SPC27 Draft Determination.

3. Annex A - Historic Maximum Average Price

Effective from Date	Approved Maximum Average Price (p/therm)
01-Apr-15	130.85
01-Oct-15	125.16[14]
01-Apr-16	115.51
31-Mar-17	130.27[15]
05-Apr-18	139.10
01-Oct-18	155.80
01-Oct-19	142.14
01-Apr-20	112.07
01-Oct-20	98.08
01-Apr-21	115.48
01-Oct-21	156.07
01-Dec-21	215.66
24-Feb-22	288.06
03-May-22	335.04
03-Oct-22	523.71
01-Jan-23	416.25
01-Apr-23	337.83
01-Oct-23	312.28
01-Apr-24	263.58
01-Apr-25	232.38
01-Oct-25	214.11
01-Apr-26	192.48
01- July-26	222.60
01-Oct-26	242.60

14 This figure has been restated to take into account updated volume forecasts; the approved Maximum Average Price was 124.44 p/therm.

15 This figure has been recalculated to take account the removal of EUC2 customers from the regulated tariff. Previously the approved Maximum Average Price was 129.57 p/therm.