Summary of Consultation on the Use of System Tariff Structure Reform Project

Consultation on the Development of a Cost-Reflective Tariff Structure through Time of Use and Dynamic Pricing

23 September 2026

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Utility Regulator

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; Markets; and Consumer Protection. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

ABSTRACT

We have initiated a project to review and, where appropriate, reform electricity tariff structures for network use of system (UoS) charges. This is a four-year project included in our Forward Work Programme for 2026/27 as: “Develop tariff structures that are cost-reflective, encourage efficient energy use, and support the transition to net zero through the introduction of Time of Use (ToU) and dynamic pricing models”. The project is aimed at supporting a just transition to net zero.

This consultation seeks stakeholder views at an early stage of the project. In particular, we are seeking views on the objectives of the project, key issues with the current tariff structures, potential areas for reform, and how the project should be organised and delivered.

AUDIENCE

This document will be of interest to electricity transmission and distribution companies, electricity suppliers, government, energy charities, environmental bodies, and customer groups or organisations which represent customer interests.

CONSUMER IMPACT

The evidence gathered from responses to this document will be used to inform our later strategy and decision-making around electricity tariff structures.

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Executive Summary

Utility Regulator (UR) has launched a project to review and reform electricity network Use of System (UoS) tariffs in Northern Ireland. The project is set out in the 2026/27 Forward Work Programme as: “Develop tariff structures that are cost-reflective, encourage efficient energy use, and support the transition to net zero through the introduction of Time of Use (ToU) and dynamic pricing models”. It aims to develop and implement electricity tariff structures that are cost-reflective, promote efficient energy usage, and support the just transition to a net zero energy system.

Current network tariffs were developed for a different energy landscape and rely significantly on volumetric (unit-based) charging. As electricity consumption patterns change, driven by decarbonisation, electrification of transport and heating, growth in distributed generation, and the planned rollout of smart meters, current tariffs may become less reflective of actual network usage and cost drivers. This raises concerns around fairness, efficiency, and long-term cost recovery.

The rollout of smart metering is a key enabler of reform. Smart meters will provide granular consumption data and support a wider range of tariff structures to be considered, such as time-of-use (ToU) and dynamic pricing. These tariff structures may be used to incentivise consumers to shift demand to times of high renewable energy availability and away from peak periods. This could improve the efficiency of network utilisation, facilitate greater integration of renewable generation, and help mitigate future network reinforcement costs.

UR intends to undertake a comprehensive review of both distribution and relevant elements of transmission use of system charges. The aim is to ensure that tariff structures remain fit for purpose, reflect underlying system costs, promote efficient energy use and support the transition to a low carbon energy system.

A significant challenge in tariff reform is balancing different tariff reform objectives and evaluation criteria. For example, more cost-reflective tariff structures may improve efficiency and fairness, but may also raise questions regarding affordability, simplicity and consumer protection. The consultation seeks stakeholder views on whether the proposed tariff reform objectives, project objectives, evaluation criteria, scope of the review and workplan are appropriate. Responses to this consultation will inform the next stage of the project, including the development of an evidence base, identification of reform options and establishment of an assessment framework for evaluating potential reforms.

1. Introduction

Background

1.1 UR previously examined tariff reform through a 2021 Call for Evidence. While stakeholders identified important issues, implementation did not proceed due to the energy price crisis and the absence of key enablers such as smart metering.

1.2 Since then, several developments have fundamentally changed how consumers use the network and how network costs are incurred, strengthening the case for reform:

a) Significant investment in Northern Ireland's electricity network through the RP7, including provision for a £2.23 billion investment package.

b) Government plans for large-scale smart meter deployment beginning from 2028.

c) The expected impact of the uptake of electric vehicles and electric heating on future electricity demand.

d) Growth in distributed energy resources, including rooftop solar panels and battery storage.

e) Decarbonisation policies aimed at reducing reliance on fossil fuels.

f) Recent reforms to electricity connection charging arrangements that socialise network reinforcement costs.

1.3 UR considers that tariff reform is necessary to ensure charges remain cost-reflective, support efficient network use, and facilitate the transition to a low-carbon electricity system. This consultation represents the first stage of a multi-year project and is intended to help shape the future direction of the review.

1.4 The project will be undertaken in accordance with UR's statutory duties under Article 12 of the Energy (Northern Ireland) Order 2003[1]. These duties include protecting the interests of existing and future consumers, promoting the efficient use of electricity, having regard to vulnerable consumers and ensuring that consumer demands for electricity are met. These duties provide an important context for the tariff reform objectives and assessment framework set out in the consultation.

[1] The Energy (Northern Ireland) Order 2003

Why tariff structures matter

1.5 Network tariffs determine how the costs of building, operating, and maintaining electricity networks are recovered from users. While tariff structures do not affect the total level of revenue permitted to network companies, they determine how costs are allocated among different customers.

1.6 Tariff structures can influence when electricity is consumed, how much is consumed, and potentially where generation, storage and flexible demand resources choose to locate. They may therefore affect consumer behaviour, network utilisation and long-term system costs.

1.7 Efficient tariff structures can encourage behaviours that reduce peak demand and defer expensive network reinforcement.

1.8 A key concern is that existing volumetric charging arrangements may become increasingly unsuitable as self-generation and electrification grow. Consumers with solar panels, batteries, or other technologies may contribute less towards network costs despite continuing to rely on network infrastructure. This may increase costs for customers who have fewer opportunities to reduce their consumption or alter their usage patterns.

2. Context and rationale

Motivation for the project

Current tariff structures

2.1 Current electricity network charging arrangements comprise both distribution use of system (DUoS) charges and transmission use of system (TUoS) charges. Distribution use of system tariffs are designed to recover NIE Networks' allowed distribution revenue entitlement in accordance with licence requirements. Tariffs are currently structured using a combination of standing charges, unit (volumetric) charges and, for certain customers, capacity-based charges linked to Maximum Import Capacity (MIC) and reactive charges.

2.2 Charges are levied on suppliers and vary by customer category, reflecting characteristics such as demand level, voltage of connection and agreed capacity. For larger users, capacity-based charges form a significant component of the tariff structure.

2.3 Certain tariff categories incorporate time-differentiated unit charges, with different rates applying at different times of day, week and year, including peak, off-peak and time-banded structures.

2.4 Transmission use of system (TUoS) charges also form part of the overall network charges recovered through electricity bills. Supplier-facing transmission charges are recovered from suppliers and are currently charged on a unit (p/kWh) basis. The charges are intended to recover transmission network costs and SONI's costs. For STUoS (supplier transmission use of system) these charges vary between charging periods, with higher charges generally applying during periods of higher demand on the transmission system.

Key drivers of change

2.5 A number of developments are expected to affect how the electricity network is used. These include the increasing uptake of electric vehicles, the electrification of heat, the growth of distributed and embedded generation, the emergence of new market participants such as aggregators and other third-party intermediaries (TPIs), and the increasing importance of demand-side flexibility. These drivers were identified in our earlier work in 2021 and remain relevant.

2.6 **Smart Meter Rollout -** Smart meters are expected to become one of the most important enablers of tariff reform. The data they generate will:

a) Provide near-real-time consumption data.

b) Enable time-based charging structures.

c) Support supplier innovation.

d) Improve customer understanding of energy use.

e) Facilitate demand-side flexibility.

2.7 **Electrification of Heat and Transport -** The increasing uptake of electric vehicles and heat pumps is expected to increase electricity demand and may significantly alter demand profiles, particularly during peak periods. Without appropriate incentives, these changes could result in higher peak demand and additional network investment requirements.

2.8 **Distributed Generation and Flexibility -** The growth of distributed generation and prosumers is changing network usage patterns. At the same time, flexibility technologies such as batteries, electric vehicles, and smart appliances offer new opportunities to shift demand. Tariffs could encourage consumers to use electricity at times when renewable generation is abundant and avoid periods of system stress.

2.9 **Connection Charging Reform -** Recent policy reforms have introduced a fully socialised approach to distribution connection charging. Customers are no longer required to fund upstream reinforcement costs directly. Instead, those costs are recovered through wider network charges. This increases the importance of ensuring ongoing tariff structures recover costs fairly and effectively.

Interactions between network tariffs and the wider electricity system

2.10 Network tariffs operate alongside wholesale electricity prices, supplier tariffs and other market arrangements. These signals may not always encourage the same behaviours. For example, incentives designed to reduce network congestion may not always align with wider electricity price signals. One aim of the project is therefore to understand how different signals interact and whether conflicting incentives could lead to unintended outcomes for consumers or the electricity system. The review will consider how network tariff structures can operate effectively alongside other market signals and support efficient outcomes across the wider electricity system.

Project objectives

2.11 The overall aim of the project is to review and, where appropriate, reform the structure of electricity network use of system charges in Northern Ireland so that these charges remain fit for purpose in a changing energy system.

Objectives of tariff reform

2.12 Efficient Electricity System

a) Efficient use of network assets.

b) Reduced peak demand.

c) Better utilisation of renewable energy resources.

d) Lower long-term electricity system costs.

2.13 Low-Carbon Energy Transition

a) Support electrification.

b) Enable flexibility.

c) Accommodate changing demand and generation patterns.

2.14 Reliable and Secure Supply

a) Maintain network stability.

b) Support effective system operation during periods of stress.

2.15 System Resilience

a) Enhance the ability of the electricity system to adapt to changing conditions.

2.16 Fairness

a) Ensure costs and benefits are allocated equitably between customers.

2.17 Transparency and Trust

a) Ensure tariff structures are understandable and credible.

2.18 Affordability and Value for Money

a) Keep charges proportionate and sustainable for consumers.

Objectives of the tariff reform project

2.19 The project aims to:

- define the policy context, objectives and evaluation criteria for tariff reform;
- develop a robust evidence base for reform;
- establish an assessment framework;
- identify and assess reform options;
- develop a roadmap for reform; and
- support implementation and monitoring where reforms are taken forward.

Evaluation criteria for assessing tariff reform options

2.20 The tariff reform objectives set out above describe the broader consumer and system outcomes that tariff reform is intended to support. In developing and assessing tariff reform options, it is also necessary to consider a range of evaluation criteria that may influence the extent to which different options may contribute towards those objectives.

2.21 UR's initial view is that tariff reform options should be assessed against a number of evaluation criteria, including:

a) cost reflectivity;

b) efficiency;

c) flexibility;

d) consumer impacts and consumer protection;

e) simplicity and stability;

f) adaptability;

g) practical implementability; and

h) coherence with wider policy and market arrangements.

2.22 Different reform options may perform differently against these criteria and trade-offs may be required between them. The purpose of this framework is therefore not to identify options that satisfy every criterion fully, but rather to provide a structured basis for assessing options and considering the trade-offs involved.

3. Scope of the project

3.1 The project will focus on the structure of electricity network use of system charges in Northern Ireland, including both distribution and relevant elements of transmission tariffs.

Included

a) Distribution Use of System (DUoS) tariff structures.

b) Supplier-facing elements of Transmission Use of System (TUoS) charges.

c) Cost allocation and recovery methodologies.

Excluded

a) Overall network revenue levels.

b) Generator transmission use of system charges.

c) System services, non-network cost components and wholesale market charges.

d) Retail electricity prices (although interactions will be considered).

Interactions with the wider system

3.2 Tariff structures interact with a range of other elements of the electricity system, including settlement arrangements, connection charging, smart metering, supplier tariff design, and system operation.

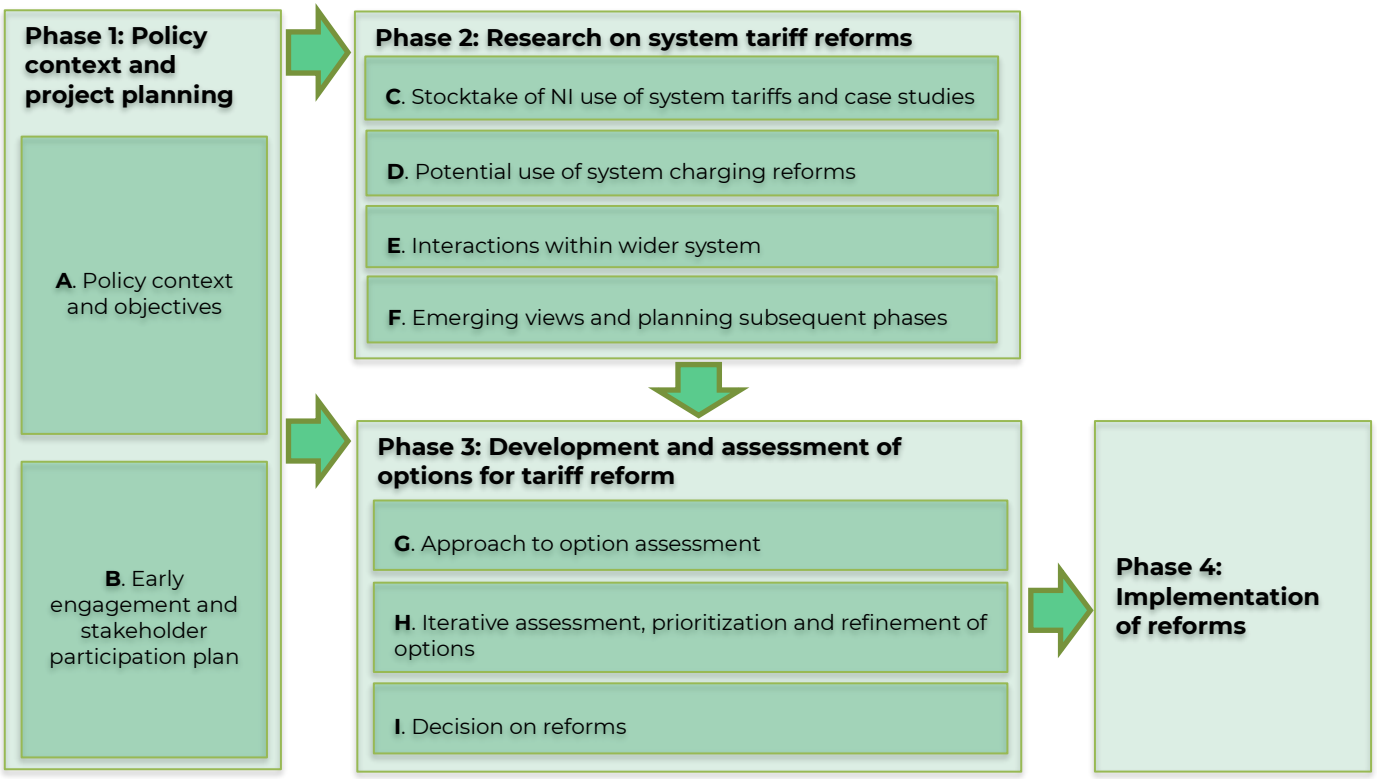
3.3 While these areas are outside the direct scope of this project, the review will consider how tariff reform may interact with, or depend on, developments in these areas.

3.4 UR recognises that the effectiveness of tariff reform will depend in part on how changes are reflected in retail tariffs and how consumers respond to the signals provided.

4. Proposed approach and workplan

4.1 Annex A details the proposed approach for the project. *Figure 1* below provides a summary of the four phases and associated workstreams. Per the 2026/27 Forward Work Programme this project is due to span over four years. UR intends to establish strong stakeholder engagement arrangements, potentially including steering groups and technical working groups, to support delivery.

Figure 1: Overview of workplan phases and workstreams



4.2 Each phase of the project is expected to deliver defined outputs. These include, for example, summary reports of findings, analysis of options, and consultation paper(s). These outputs will provide transparency on the progress of the project and allow for continued stakeholder engagement at key stages.

5. Consultation Response

5.1 The Consultation Response Template published alongside the consultation document, details the questions being posed and further details for each stakeholder to provide their responses.

5.2 We recognise that stakeholders may have provided views on some of these matters in response to our 2021 Electricity Distribution Tariff Reform Call for Evidence. Respondents who participated in the 2021 Call for Evidence are invited to indicate whether their previous responses remain valid or whether they wish to revise or expand upon them.

5.3 This Consultation is to provide opportunity to hear from a wide range of stakeholders, including:

a) electricity suppliers

b) network companies

c) consumer representatives

d) large energy users

e) new market participants (e.g. aggregators or energy brokers)

5.4 Responses should be received on or before 12 noon on 16 December 2026 and should be addressed to:

Fiona Rooney
Electricity Price Controls Manager
Millennium House
16-22 Great Victoria Street
Belfast
BT2 7AQ

Email: Electricity_Networks_Responses@uregni.gov.uk with cc to fiona.rooney@uregni.gov.uk

5.5 Our preference would be for responses to be submitted by e-mail.

Annex A – Overview of draft workplan

1. This draft workplan proposes structuring the project into four phases of work:

   Phase 1: Policy context and project planning

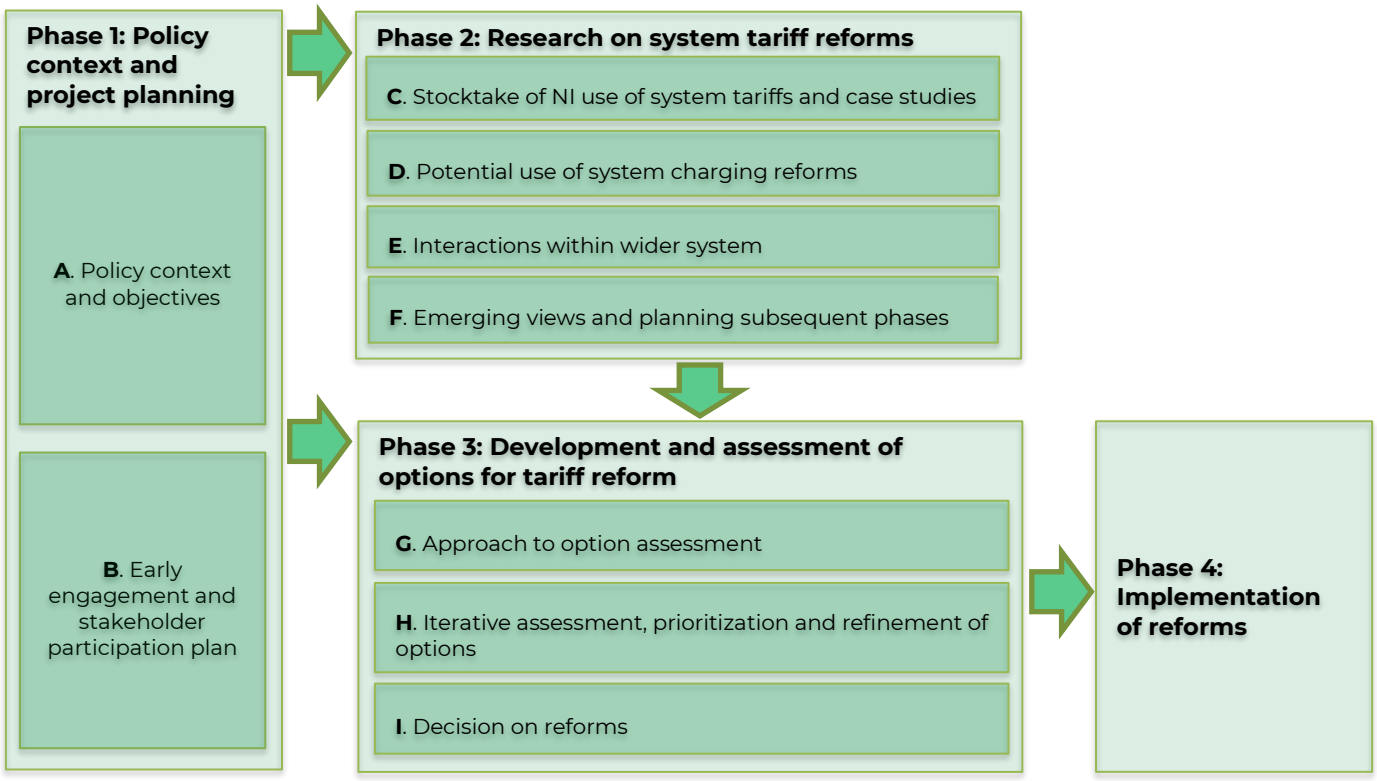
   Phase 2: Research on system tariff reforms

   Phase 3: Development and assessment of options for tariff reform.

   Phase 4: Implementation of reforms.

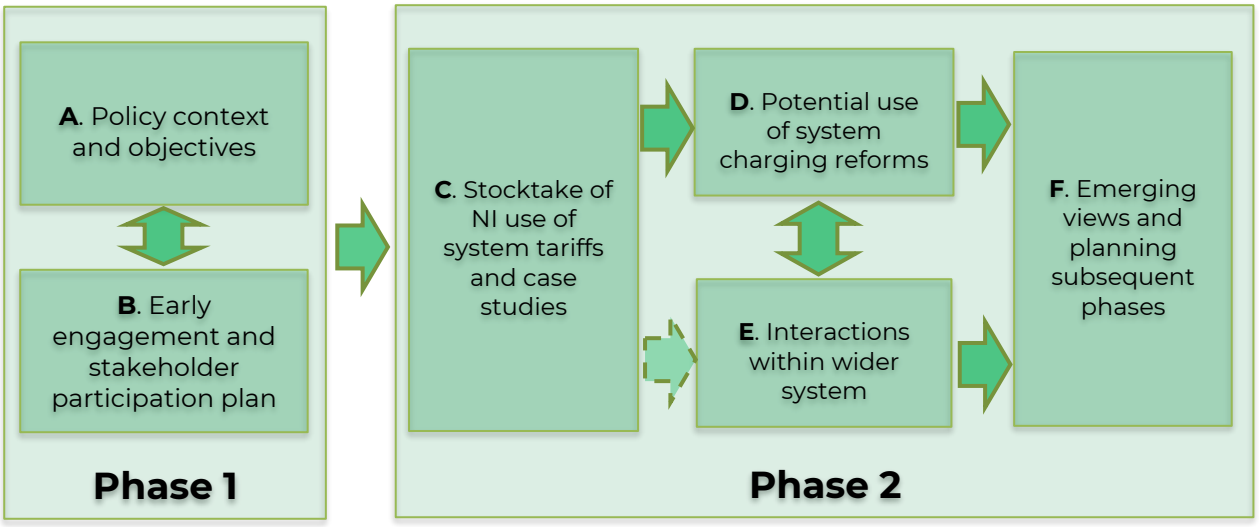
2. We have organised the work within each of these phases of work into a set of workstreams, and within these, a set of tasks. The proposed four phases and workstreams are captured in the *Figure A1*.

Figure A1: Overview of workplan phases and workstreams



3. We have adopted the approach of planning near-term work in more detail and so have focused on the work planned for Phases 1 and 2. *Figure A2* captures the organisation of the workstreams within those two initial phases.

Figure A2: Overview of workplan for Phases 1 and 2



4. We envisage that the two workstreams within Phase 1 would be run concurrently, allowing UR to make progress on points of substance concerning the context and objectives of the project whilst initiating the engagement with stakeholders and developing a plan for their participation in the project.
5. Phases 1 and 2 would capture the work to be done in the near-term, broadly over the first year of the project. This, however, may need to be revisited as the work develops.
6. In this workplan we have focused on the first two phases of work. In relation to Phases 3 and, in particular, Phase 4, the proposed organisation of the workstreams or areas of work is more provisional at this stage. This reflects the uncertainty around issues that may emerge and around the priorities and working arrangements that may evolve over the course of carrying out the first two phases of work. In the light of this, we have included a workstream at the end of Phase 2, Workstream F, which would be concerned with revisiting and updating the workplan for the later phases of the project, recognising that more focused planning of that work then would be valuable.
7. We set out an outline of the four phases in the tables below, taking each phase in turn.

Table A1: Phase 1 workstreams and tasks

Workstream	Task
A: Policy context and objectives	A1: Identify desired outcomes and behaviours within NI energy system A2: Identify risks and opportunities in scenarios for future NI energy landscape A3: Review key considerations and trade-offs relating to network charges A4: Develop approach to enable progress on tariff reform in the light of trade-offs
B. Early	B1: Engage stakeholders on key issues and project plan

engagement and stakeholder participation plan	B2: Plan role of UR and other parties across workstreams and tasks

Table A2: Phase 2 workstreams and tasks

Workstream	Task
C. Stocktake of NI use of system tariffs and case studies	C1: Stocktake of current NI DUoS methodology and views on future evolution C2: Stocktake of current NI TUoS methodology and views on future evolution C3: Research on how charges are structured and calculated in GB and comparison with NI C4: Research on how charges are structured and calculated in the RoI and comparison with NI C5: Case study on time-of-use tariffs for domestic customers in GB C6: Research on time-of-use and dynamic pricing in other jurisdictions and sectors
D. Potential use of system charging reforms	D1: Identify potential reforms to structure of DUoS and TUoS tariffs D2: Identify potential reforms to methodologies for calculating cost-based charges D3: Identify potential reforms to settlement and tariff optionality D4: Identify potential routes for achieving desired outcomes other than via use of system charges
E. Interactions within wider electricity system	E1: Consider interactions with smart metering and other infrastructure requirements E2: Consider interactions with suppliers' tariffs structures E3: Consider interactions with connection charging policies E4: Consider interactions with NI system operation & planning E5: Consider interactions with SEM
F: Emerging views and planning subsequent phases	F1: Develop emerging views on key issues and on priority tariff reforms F2: Develop plan for subsequent phases

Table A3: Phase 3 workstreams

Workstream	Task
Approach to options assessment	Develop approach to option assessment and evaluation criteria Identify sources of evidence to inform assessment (beyond that from Phase 2) Formulate packages of options for assessment
Iterative assessment, prioritisation and refinement of options	Collect and review evidence to inform on the assessment of options Indicative modelling of tariff impacts for prioritised options Iterative assessment of options for charging reform (using evaluation criteria) Prioritisation of preferred option(s) Consider sequencing for tariff reforms / potential reforms
Decision on reforms	Consult on minded-to decision on reforms to carry out and timescales Decide on reforms to take forward for implementation

Table A4: Phase 4 areas of work

Areas of work
Identify implementation route (e.g. nature of licence modifications)
Develop regulatory arrangements for implementation
Develop arrangements for managing transition / tariff impacts on customers
Develop governance arrangements for tariff reforms
Develop plan to monitor impact of reforms