DECISION ON PROPOSED FORM OF ELECTRICITY GENERATION LICENCE FOR SYNCHRONOUS CONDENSERS

11 November 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, Great Victoria Street, 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.



ABSTRACT

On 23 July 2026 the Utility Regulator (the UR) gave notice (**the SC Licence consultation**) of the conditions that it proposed to include in a modified version of the standard electricity generation licence (the **SC Licence**) for the purpose of licensing Synchronous Condensers (**SC**) in Northern Ireland. It was clarified that this would be an interim licensing arrangement to allow for market participation and effective regulation of these activities, until such times as an enduring solution is in place.

Having considered a response (the **Response**) - marked confidential - from a single respondent (the **Respondent**) to the SC Licence consultation, the UR has decided to proceed with making the modifications as stated in the SC Licence consultation, with the exception of a minor textual amendment detailed in Sections 2 and 3 of this Decision Paper. A copy of the final SC Licence (which will apply until such times as an enduring solution is in place) with this textual amendment is available as Annex A to this Decision Paper. This decision document describes the reasons for our decision.

AUDIENCE

This decision document is likely to be of interest to: the Respondent; existing and prospective electricity generation licensees; SC operators and developers; other regulated companies in the energy industry; and the wider business community. Government departments, other statutory bodies and other stakeholders will also likely be interested given the significance of the development and operation of this technology in Northern Ireland.

CONSUMER IMPACT

As participation in the market of SC increases, the UR will, by facilitating an interim arrangement for the licensing of SCs, be able to obtain relevant information necessary to promote security of supply and protect consumers.

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1. Introduction

Background

On 23 July 2026 the Utility Regulator[1] published a consultation[2] (**the SC Licence consultation**) on the conditions that it proposed to include in a modified version of the standard electricity generation licence (the **SC Licence**) for the purposes of licensing SC. A copy of the proposed SC Licence was published alongside the consultation.

The consultation noted that that the proposed modifications to the conditions to create the SC Licence would accord with our responsibilities under Article 12 of the 2003 Order and, in the absence of a separate legislative framework for SC, would allow the relevant activities to be regulated in a more transparent way consistent with the approach to other market participants. The SC Licence will also provide the mechanism by which UR can take appropriate action in the event of a licence breach.

The consultation recognised the use of a modified generation licence as an interim solution to enable SC to be licenced, participate in the market and enable effective regulation. It recognised our commitment to work with DfE on an enduring solution, whilst noting that any such change in the legislative framework is unlikely to happen in the immediate future.

The SC Licence consultation asked for any comments on the proposed changes to be sent to us by close 1 September 2026.

Regulatory Framework

Our principal objective in carrying out our electricity functions is to protect the interests of consumers of electricity supplied by authorised suppliers, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission, distribution or supply of electricity.[1]

UR must carry out its functions in the manner which it considers is best calculated to further the principal objective, having regard in particular to:

[1] In this document the words “we” “our” “us” “Authority” “UR” “Utility Regulator” and “we” are used interchangeably to refer to the Northern Ireland Authority for Utility Regulation

[2] Consultation published on the proposed form of electricity generation licence for Synchronous Condensers | Utility Regulator

[3] We have had full regard to the statutory responsibilities set out in Article 12 of the Energy (NI) Order 2003 (**the Energy Order**)

a) the need to secure that all reasonable demands for electricity in Northern Ireland or Ireland are met; and,

b) the need to secure that licence holders can finance the activities which are the subject of obligations imposed by or under Part II of the Electricity (Northern Ireland) Order 19922 (the Electricity Order) or the Energy Order.

UR must also carry out its functions consistently with a number of other duties set out in full at Article 12 of the Energy Order.

We consulted on and are issuing our decision on the outcome of the SC Licence consultation in line with these duties.

Article 14 references

The SC Licence consultation included within it this reference to Article 14 of the Electricity (NI) Order 1992 ("the Order"):

> "In line with these duties, we are consulting on modifications we propose to make under Article 14 of the Electricity Order to the conditions within the generation licence for the purpose of developing a SC licence in order to licence SC operators in Northern Ireland."

There was also the following text accompanying the publication of the SC Licence consultation:

> "The purpose of this consultation is to seek responses to the proposed modifications to the licence conditions which the Utility Regulator (UR) intends to make under Article 14 of The Electricity (Northern Ireland) Order 1992."

We should clarify that the SC Licence consultation was not a consultation under Article 14. More broadly, we note that Article 10 of the Order requires that we consult on any proposal to grant a generation licence to a Synchronous Condenser Unit operator applicant. We do not consider that the unintentional reference to Article 14 affects the processing of the matters under consideration in the SC Licence consultation.

2. Our consideration of the Responses

Consideration

The Response from the Respondent to the SC Licence consultation was submitted on a confidential basis. Accordingly, the identity of the Respondent is not disclosed. Nor is the Response published alongside this decision paper.

As noted in the introduction section, comments were invited in relation to the proposed changes to the generation licence. The Response included representations that are beyond the scope of the SC Licence consultation; that scope being limited to the proposed textual amendments. Those representations, deemed to be outside the scope of this consultation, are not reflected in the decision outlined in section 3.

3. Our Decision

The decisions recorded in this paper reflect careful consideration of the Response in so far as it relates to matters within the scope of the consultation. The majority of the in-scope representations made in the Response related to the relevancy of (proposed) licence conditions for a SC. As described in the consultation document itself, UR is seeking to modify the generation licence for the purpose of licensing SC. It has not sought through the consultation to create a bespoke SC licence. Based on this approach, no changes have been proposed in relation to any comments made in the Response in respect of the relevancy of Conditions for a SC.

The Response highlighted an inconsistency in the proposed amendments in Condition 17, paragraph 1a and 1b. The consultation included the following (proposed) changes to Condition 17:

1. The Licensee shall ensure that the price components of all Commercial Offer Data submitted to the Single Market Operation Business under the Single Electricity Market Trading and Settlement Code whether;

    a. by the Licensee itself or by any person acting on its behalf in relation to a generation set for which the Licensee is the licensed generator; or

    b. by the Licensee in relation to a generation set operated by the Licensee in its capacity as a Synchronous Condenser Operator

are cost-reflective.

The Response noted that 1a of the text included 'itself or by any person acting on its behalf' but that the same reference was not made in 1b. This inconsistency has been addressed and a copy of the SC Licence with this amended wording (**the amended SC Licence**) has been made available as Annex A to this Decision Paper. UR notes that it does not consider this amendment to result in a substantively different position to that which was consulted upon.

Having considered the Response, our decision is to proceed with the proposed modifications to the 'standard' electricity generation licence for the purpose of creating a modified electricity generation licence for SC. A clean version of the licence to be used for SC is attached at Annex B. This will apply until such times as an enduring solution is in place.

UR will continue to engage with DfE about an enduring solution for licensing SC.



John French

For and on behalf of the Utility Regulator