

# Consultation on proposal to grant an electricity transmission licence to **TI LIRIC LIMITED**

(in respect of a proposed  
interconnector between Scotland  
and Northern Ireland)

Incorporating the Notice Under  
Article 10(4) of the Electricity  
(Northern Ireland) Order 1992



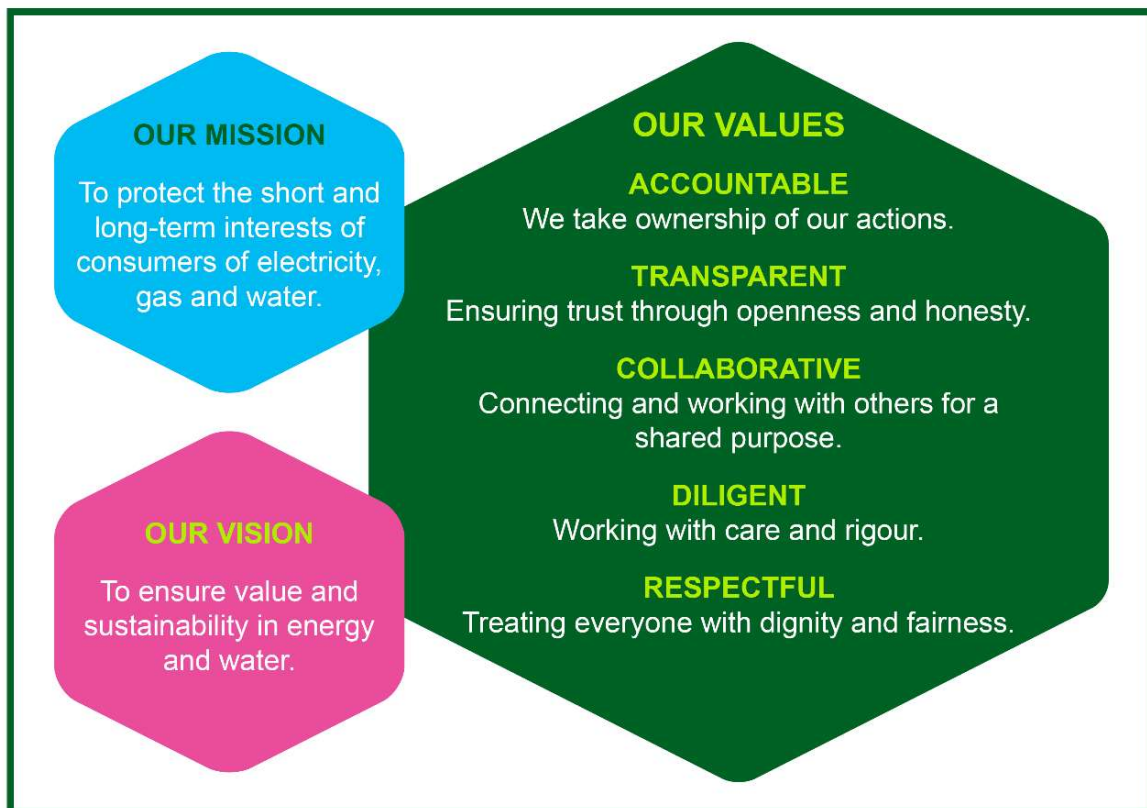
## About the Utility Regulator

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 Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs, Markets and Networks. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.



## Abstract

This paper sets out Utility Regulator's (UR) proposed approach to the issuance of a new transmission licence. The purpose of this consultation is to notify interested parties likely to be affected by the grant of a proposed electricity transmission licence to TI LirIC Limited and to invite representations or objections in connection with it.

## Audience

This document is likely to be of interest to other transmission licence holders, industry, and statutory bodies.

## Consumer impact

This paper sets out URs proposed approach to granting a transmission licence to TI LIRIC in respect of the proposed new HVDC Interconnector from Northern Ireland to Scotland.

The Authority's principal statutory objective 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.

Therefore, this consultation is seeking representations from stakeholders with regards to the issuance of a transmission licence to TI LIRIC Limited.



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## Executive Summary

This consultation sets out our intended approach to the granting of a transmission licence to TI LirIC Limited.

TI intends to build a 700MW interconnector between Northern Ireland and Scotland, known as the Lir Interconnector (LirIC). An interconnector is essentially an electricity transmission system connecting two different jurisdictions. In Northern Ireland, anyone wishing to own or operate a transmission system can only do so lawfully where it is authorised by a licence (i.e., a transmission licence). We are seeking representations from industry stakeholders and interested parties as to their views on the potential granting of a transmission licence for this interconnector project.

As part of TI's transmission licence application, they have requested specific arrangements around their operating revenue regime. TI have indicated a preference for a Cap and Floor regime, which is similar to the process Ofgem hold for GB interconnectors. This assessment will require further studies and analysis as to whether this regime is appropriate for interconnectors connecting to the NI system.

In addition to establishing whether a Cap and Floor is appropriate for Northern Ireland licence holders and/or electricity consumers, a requirement of this process is establishing the needs case assessment for interconnection. Further studies are needed to determine how much, if any, additional interconnection is required. This workstream is presently commencing in partnership with the Department for the Economy (DfE) and it is intended to continue over 2024/25.

Therefore, a two-step approach for the progression of the TI licence application has been progressed as the most pragmatic approach to take. This means that, dependent on stakeholder views, a licence may be granted to TI for the Lir Interconnector without conditions pertaining to its operating revenue regime. This would be the equivalent approach to a commercial revenue regime, in that the company's revenue is not regulated and there is no regulated entitlement, as such, to revenue.

UR considers that granting a transmission licence to TI will assist to promote effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission, distribution, or supply of electricity. It may also facilitate TI to progress the commercial project, including through discussions and negotiations with third parties, by virtue of the availability of certain statutory powers (as are available to transmission licence holders by virtue of Article 13(1)(a) of the Electricity (Northern Ireland) Order 1992 (the Electricity Order), including those which enable it to make an application to the Department to vest in it land which it considers is required by it for any purpose connected with the carrying on the activities authorised by the licence.



Currently, given the proposed grant of the transmission licence without a specified regulated operating revenue regime, UR considers there is a low risk to the NI consumer. This reinforces URs consideration of this pragmatic approach. Once the future work regarding the need for interconnection and appropriateness of a Cap and Floor regime in NI has been completed, the estimated impact to the NI consumer is expected to be known.

We would welcome the views of consumers and stakeholders to the questions posed in this consultation and any other matters relevant to the proposed grant of the transmission licence and future work<sup>1</sup>. The consultation will be open for a period of 8 weeks. Following that, we will consider the responses to the consultation and publish our decision.

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<sup>1</sup> As noted in Section 4



# 1. Introduction

## Purpose of this document

- 1.1 This consultation document is to notify all interested parties that the Utility Regulator (UR) is proposing to grant TI LirIC Limited a transmission licence for its proposed Lir interconnector (known as LirIC). The notice is included in Appendix 1.
- 1.2 An interconnector is essentially an electricity transmission system connecting two different jurisdictions. In Northern Ireland, anyone wishing to own or operate a transmission system can only do so lawfully where it is authorised to do so by licence (i.e., a transmission licence). This is similar to the licence UR previously granted to [Moyle Interconnector Limited](#).
- 1.3 This document also summarises the approach taken by the UR in developing the licence proposed to be granted and provides stakeholders with an opportunity to share their views on this approach, and the draft of the proposed licence, with the Utility Regulator. It sets out the rationale for the intended approach to progress the TI LirIC Ltd. transmission licence, as well as further work to be carried out with regard to establishing the needs case for interconnection and appropriate operating revenue regime.
- 1.4 We encourage all interested stakeholders to share their views with us **before 4pm on Thursday 25 July 2024**, when the consultation will close. More details on next steps can be found in Section 4.

## Background

- 1.5 Transmission Investment (TI) intends to build, and subsequently own and operate, a 700MW interconnector between Northern Ireland and Scotland, known as the Lir Interconnector (LirIC)<sup>2</sup>.
- 1.6 In May 2023, TI applied to UR for a transmission licence and indicated a preference for LirIC to be regulated under a Cap and Floor revenue regime.
- 1.7 In a Cap and Floor regime, revenues or margins are subject to minimum and maximum levels. The Cap provides a regulated limit on revenues to avoid excessive returns, mitigating risk to consumers. The Floor reduces project risk by providing a guarantee of a minimum amount of revenue. More detail on

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<sup>2</sup> <https://tin.v.com/intercon-projects/liric/>



Cap and Floor is provided in Section 4.

- 1.8 TI has applied for an electricity transmission licence a considerable time in advance of it undertaking the licensable activity of "participate in the transmission of electricity" as defined in Article 9(4) of the Electricity Order. It considers that holding a transmission licence at this early stage is likely to assist in progress with regard to the planning, development, and construction of its proposed infrastructure (i.e. the electricity lines and cables which it proposes to use to carry out the licensable activity).
- 1.9 TI LirlC Ltd. have stated that as a transmission licence holder it may be able to secure greater investment in the project and also to refer to the availability of compulsory purchase powers, (which are available to transmission licence holders by virtue of Article 13(1)(a) of the Electricity Order), in its discussions and negotiations with third parties.
- 1.10 Becoming a licence holder would afford TI the opportunity to progress the application of these compulsory purchase powers with respect to land acquisition. Land acquisition would be an important milestone as the project progresses, due to the construction of a new converter station and associated infrastructure works.
- 1.11 Transmission licence holders need to apply, to the Northern Ireland Department for Economy, for a "Vesting Order".<sup>3</sup> A "Vesting Order" is an order that can be made by the Department for Economy, vesting the (applied for) land<sup>4</sup> in the licence holder.
- 1.12 It is important to note, in our initial assessment of the licence application, the authorised transmission area applied for is adjacent to and may encompass land known as 'landbank'. However, the LirlC project has no plans at this time to seek to locate LirlC infrastructure on landbank land.

## About this document

- 1.13 This document is to consult on the proposed grant of a transmission licence which, does not contain any licence conditions relating to or regulating TI's operating revenue regime.
- 1.14 This paper consults on the main issues surrounding the granting of a licence, the establishment of the needs case for interconnection and our view regarding the future assessment of a Cap and Floor regime. It sets out our initial thoughts on how these may be addressed and welcomes stakeholder

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<sup>3</sup> Schedule 3, Part I, paragraph 1 of the Electricity (Northern Ireland) 1992 Order.

<sup>4</sup> Which may be way creating a new right, an easement or other right over the land (Schedule 3, Part 1, paragraph 1(2) refers).





feedback on various questions posed. We also present an indicative timetable for the progression of the proposed grant of a transmission licence.

1.15 The document is structured as follows:

- Section 2 provides detail on our approach to grant a transmission licence for LirIC;
- Section 3 sets out details on the proposed licence;
- Section 4 provides an overview of establishing the needs case for interconnection and future analysis required in respect of any associated regulated operating revenue regime; and
- Section 5 provides information on how to respond to this consultation and next steps.

**Q1 Do respondents have any objections to the UR's proposal to grant a transmission licence (which includes the terms and conditions set out in a draft of the proposed licence) to TI? If so, please set out the basis and reasons for any such objection.**



## 2. Our approach to grant a transmission licence to TI LirIC Ltd.

### Background

- 2.1 The LirIC project is a large infrastructure project for Northern Ireland, an ambition not seen in over 20 years since the Moyle Interconnector began operation.
- 2.2 TI intends to build a 700MW HVDC sub-sea interconnector between Northern Ireland and Scotland, known as LirIC. The facilitation of further competition between the Single Electricity Market (SEM) and GB markets and the opportunities for price arbitrage<sup>5</sup> could increase with further interconnection.
- 2.3 The system proposed will comprise of two 320kV High Voltage AC to DC Converter Stations (one in Kilroot and one in Hunterston), two 115km subsea cables, underground onshore cables between the coast and the grid connection (1km to the 275kV substation at Kilroot and 15km to the 400kV Scottish Power Transmission (SPT) substation at Hunterston).



Figure 1: Outline map of LirIC connection<sup>6</sup>

<sup>5</sup> Price arbitrage describes the act of buying in one market, and simultaneously selling it in another market at a higher price in order to create a profit. Interconnector flows are bi-directional and are predominantly from a lower price market to a higher price market.

<sup>6</sup> Source: [LirIC - Transmission Investment \(tin.v.com\)](http://LirIC - Transmission Investment (tin.v.com))



- 2.4 In May 2023, TI applied to UR for a transmission licence. In September 2023, following review of the application, UR requested additional information from TI. This information included items on financial resilience, being a fit and proper person, and Building and Operating a Transmission System.
- 2.5 When TI applied for a transmission licence to UR, it indicated a preference for LirIC to be regulated under a Cap and Floor regime. This form of regulatory regime has not been offered in Northern Ireland before and will take time to determine if appropriate.
- 2.6 UR has assessed all the information supplied by TI and is proposing to grant a transmission licence under a two-step approach which we consider to be a pragmatic way forward.
- 2.7 Given the preference indicated by TI in their application, regarding a Cap and Floor regime and the time required to assess the appropriateness of such a regime, we are therefore proposing a grant of this licence without regulated revenue entitlement licence conditions pertaining to LirIC's operational revenue.

### **The two-step approach**

- 2.8 The UR has issued a transmission licence previously for the Moyle interconnector. It is usual for transmission licences to include conditions that set out, or set out parameters on, how much revenue the licensee is entitled to recover in carrying out its transmission activities, such as Condition 13 of the Moyle Interconnector Licence<sup>7</sup>. This could be described as a one-step approach where we would consult on the full licence including regulated operating revenue regimes, and dependent on stakeholder feedback, proceed to grant the licence. However, with further studies required on assessing the need for the proposed interconnection and of a Cap and Floor regime we have not include any regulated revenue conditions in the transmission licence which we propose to grant to TI.
- 2.9 The studies referred to above will take time to fully complete, assess and understand and to engage with industry and stakeholders on. Therefore, a two-step approach would appear to be the most pragmatic option available. This approach is similar to that of the Ofgem project assessment of cap and floor window for interconnectors<sup>8</sup>.
- 2.10 We intend to progress the programme of work to establish the needs case for

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<sup>7</sup> [Moyle Transmission Licence - I-SEM changes \(04.09.16\) compared with 170717 Moyle Licence Modifications PM review \(uregni.gov.uk\)](#)

<sup>8</sup> <https://www.ofgem.gov.uk/consultation/initial-project-assessment-third-cap-and-floor-window-electricity-interconnectors>



interconnection and appropriateness of a Cap and Floor regime in NI. Once these future workstreams have concluded, which may also be subject to a future consultation process, this licence may be modified with the relevant operating revenue conditions. Should it be found not to be appropriate, the licence may remain as proposed, therefore progressing a commercial approach with the financial risk and reward remaining with the developer and/or investors.

2.11 A summary of the timeline of the two-step approach is provided below:

**a) Step 1**

- (i) Publicly consult on the proposed grant of a transmission licence for LirlC (June 2024 – July 2024)
- (ii) Consider stakeholder views and prepare a decision (August 2024 – September 2024)
- (iii) Dependent on the feedback received UR may either:
  - a. Grant the transmission licence or
  - b. Not grant the transmission licence

We expect to publish our decision in Q4 2024.

**b) Step 2 (assumes UR grants the transmission licence)**

- (i) UR to work in partnership with DfE to establish the needs case assessment for interconnection (to March 2025<sup>9</sup>)
- (ii) We assess and consider what a Cap and Floor regime for LirlC would mean for the NI consumer, and the appropriateness of such a regime. Studies and analysis to be conducted to include and assess the impact to consumers as well as the benefits and risks.
- (iii) Potential consultation on the outcome of the assessment of the appropriateness of a Cap and Floor regime in NI, with a minded-to approach to seek stakeholder views.
- (iv) Consider stakeholder feedback and publish a decision. Note at

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<sup>9</sup> Estimated timeline dependent on the scale of work to be undertaken and subject to agreement with DfE



this stage we may use this information to modify the transmission licence through a consultation process.

(v) Publish the final notice for the LirIC transmission licence<sup>10</sup>.

- 2.12 The benefits of the proposed approach are that we can grant a licence in an efficient manner and not unduly delay the LirIC project. It also allows additional time to establish the needs case assessment for interconnection and assess the appropriateness of a Cap and Floor regime.
- 2.13 An additional benefit with the two-step approach is that there is a low risk to the NI Consumer as the licence does not contain any specific regulated operating revenue licence conditions. However, this approach is not without risk as a licence would be granted prior to establishing the needs case assessment for interconnection and the regulated operating revenue regime.
- 2.14 The grant of a licence does not involve any assurance or guarantee on the part of UR, that there is a business case for a new interconnector in Northern Ireland or that the project and/or the carrying out of the authorised activities will be funded through regulated controls and revenues. The grant of a licence does not confirm that UR considers there to be a need or room in the market for this project, nor does it indicate or should be taken as an indication that that UR considers the project to be viable. Accordingly, it is a commercial matter for TI to consider and determine whether, and if so how, it wishes to progress the proposed project on the understanding that it may not necessarily be funded through regulatory mechanisms under which NI consumers ultimately pay for the project.

## Consumer impact

- 2.15 UR are consulting on the proposal to grant of a transmission licence to TI for the Lir Interconnector without any licence conditions specific to its associated operating revenue regime. This is a **two-step approach** which we consider the most pragmatic way forward to progress a transmission licence while not creating barriers to future development.
- 2.16 The first step in this process proposes the grant of a transmission licence without regulated operating revenue regime licence conditions.
- 2.17 UR proposes to grant the transmission licence for the reasons that –

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<sup>10</sup> Note: if it is deemed appropriate to introduce a cap and floor regime, the regulated revenue model may be introduced into the licence. Alternatively, if the cap and floor regime is not deemed appropriate, the licence conditions may remain as proposed, such as a commercial model with the financial risk/reward remaining with the developer and/or investors.



- a) the licence will authorise TI to participate in the transmission of electricity, subsequent to the proposed construction of that part of the Lir Interconnector which will be situated in Northern Ireland;
- b) will be conducive to facilitating TI to progress its commercial proposals to develop and construct the proposed transmission infrastructure; and
- c) there is no identified adverse or direct financial impact to NI consumers given the proposed conditions of the proposed licence.

2.18 UR also considers that to grant the licence will further UR's principal objective as set out in Article 12(1) of the Energy (Northern Ireland) Order 2003.

2.19 Following the completion of the consultation process, receipt and consideration of stakeholder views and the conclusion of step one (should it proceed to the licence being granted), we intend to progress the needs case assessment and the appropriateness of a Cap and Floor regime.

2.20 We may consult in the future on our findings in relation to the appropriateness of a Cap and Floor regime and seek stakeholder views as to the benefits and risks associated with this regime, specifically focussing on consumer interests and benefits.

2.21 Following receipt and consideration of responses to any future consultation, we anticipate that we will likely publish a decision which will detail our determination, including whether an appropriate operating revenue regime has been identified, the views of stakeholders and how this has informed our determination. If modifications are required to the licence held by TI in order to incorporate the determined operating revenue regime, should one be identified, we will, as required, consult on the proposed modifications. Note that this is contingent on granting a licence following this consultation process.

2.22 In its current form of licence, the operating revenue regime would be that of a commercial or merchant interconnector. Should it appear that a Cap and Floor regime is not appropriate, the licence would be intended to remain as proposed in this consultation.

2.23 It is at this second step that we will also fully consider any potential impact to NI consumers, to the extent of which analysis of the needs case assessment and review of a Cap and Floor regime will be carried out. This will be clearly presented during any future consultation to inform all stakeholders.

**Q2 Do respondents agree with the UR's proposed two-step approach? Please provide any supporting information.**



- Q3** What are respondents' views pertaining to consumer impact, or any other impact, in granting a licence without specified operational revenue regime licence conditions? Please provide further information which lends support to the views expressed.
- Q4** What are respondents' views on the risks and benefits of the proposed approach?
- Q5** Are there any additional risks or benefits regarding further interconnection? If so, please provide supporting evidence.
- Q6** Do respondents have any views regarding the anticipated timelines outlined?



## 3. The proposed licence

### Conditions

- 3.1 UR is proposing to grant TI LirIC Limited a transmission licence for its Lir interconnector project.
- 3.2 UR conducted an assessment exercise which considered all aspects of the transmission licence held by Moyle Interconnector Limited (MEL) and whether these elements are appropriate for TI in their licence application.
- 3.3 This has resulted in the licence proposed under this consultation, which we consider contains a number of standard licence conditions typical of the transmission licence held by MEL.
- 3.4 It should be noted that the main difference relates to the **regulated** revenue regime. As TI expressed a preference for a Cap and Floor regime, which is not in effect in NI, we are unable to provide such a licence condition. In this context the licence Condition 13 is currently not used.
- 3.5 This results in the licence proposed at this juncture, is considered to be similar to a commercial or merchant model.
- 3.6 We would welcome stakeholder views on whether they consider the licence conditions are reasonable and appropriate for a new interconnector in NI.

### Regulated revenue entitlement

- 3.7 The proposed licence does not contain a licence condition specific to a regulated operating revenue regime. If the proposed licensee was operating under a regulated revenue entitlement, this would be captured under licence Condition 13 which in this instance is not used.
- 3.8 As there is no condition in place for a regulated revenue entitlement, the operating revenue model is considered to be a commercial one, or that of a merchant model. A fully merchant approach would mean the interconnector is financed by private funds on a non-regulated basis.
- 3.9 Section 4 identifies future work to be progressed which is relevant to this project. Upon completion of this future work, licence Condition 13 may or may not be modified, as this is dependent on whether there is a need for a Cap and Floor regime in NI. Should the future work determine:
- a) there is a need for a Cap and Floor, then a modification process is





likely to take place to introduce a new licence condition under the regulated revenue entitlement; or

- b) there is no need for a Cap and Floor, then the licence will likely remain as proposed.

## **Revocation schedule**

- 3.10 An important aspect in granting a new licence is the revocation schedule. A revocation schedule cannot be changed through the modification process after the licence is granted, therefore remaining as granted throughout the lifetime of the licence.
- 3.11 It is therefore important to capture the various scenarios which can transpire in the licence at this early stage of the process. Schedule 2 of the proposed licence details the Terms as to Revocation.
- 3.12 In this respect the revocation schedule of the proposed licence for TI contains a number of provisions which are not included in the revocation schedule of the transmission licence held by MEL. However, all but one of the additional provisions are found in the revocation schedules of one or more of other energy licences granted by the UR and are not therefore new provisions in this context. UR has considered the standard aspects of revocation. We would welcome stakeholder's views in relation to the revocation schedule and whether there are any other circumstances which might need to catered for in the revocation schedule.

**Q7 Are there other provisions that stakeholders consider should be included in the licence conditions and/or the revocation schedule? Please provide details and supporting rationale.**



## 4. Establishing the needs case for interconnection and associated revenue regime

### Establishing the needs case for interconnection

- 4.1 As stated in Section 2, the LirlC project is a large infrastructure project for Northern Ireland, an ambition not seen in over 20 years since the Moyle Interconnector began operation. Currently there is no established policy in Northern Ireland on the need for further interconnection. New studies and research are needed to determine whether, and if so, how much additional interconnection may be required or otherwise useful to have for security of supply purposes.
- 4.2 Interconnectors can help to resolve the energy trilemma as they have the ability to increase security of supply, facilitate the transition to a low carbon future and create price arbitrage.
- 4.3 The ENTSOE Ten-Year Network Development Plan<sup>11</sup> refers to LirlC being developed to increase the level of interconnection between Scotland and Northern Ireland addressing a market need and resulting in welfare generation opportunities in GB and consumer benefit to the SEM in Northern Ireland and Ireland.
- 4.4 TI recently submitted evidence to the Renewable Energy and Net Zero Northern Ireland Enquiry which provided detail on the need for interconnection, in which it noted that “*The need for further interconnection between the SEM and other markets has been recognised in several studies to date, in particular the need for further interconnection to Great Britain*”<sup>12</sup>.
- 4.5 This evidence also commented:

*“In summer 2023, the Department of the Environment, Climate and Communications in Ireland published their National Policy Statement on Electricity Interconnection<sup>13</sup>. This was accompanied by a study undertaken by DNV to identify what are the implications on the Irish electricity sector from further cross-border interconnection. The study’s key finding was, “Additional interconnection capacity in 2030, beyond existing projects or those at advanced development stage, **has significant economic benefits for the SEM system**. Developing a new interconnector with Great Britain is*

<sup>11</sup> [TYNDP 2022 Project Collection \(tyndp2022-project-platform.azurewebsites.net\)](https://www.tyndp.com/tyndp2022-project-platform.azurewebsites.net/)

<sup>12</sup> [committees.parliament.uk/writtenevidence/128172/pdf/](https://committees.parliament.uk/writtenevidence/128172/pdf/) - see paragraph 13

<sup>13</sup> <https://www.gov.ie/en/publication/3d96f-national-policy-statement-on-electricity-connection-2023/>



*justified both from the developer and societal perspectives. Furthermore, it supports the achievement of Ireland’s 2030 energy objectives and de-risks offshore wind development.” In addition, their Draft Offshore Renewable Energy Future Framework Policy Statement 2024<sup>14</sup> considered analysis of additional interconnectors up to 16.7GW to facilitate the potential increase of Offshore Renewable Energy”.*

- 4.6 DfE is currently developing a policy on the amount of electricity interconnection needed for the NI network<sup>15</sup>, and the need or form of any support mechanism for interconnector developers (like a Cap and Floor regime).
- 4.7 DfE has, in line with the Energy Strategy and the Northern Ireland Smart Systems and Flexibility Plan (SSFP) consultation, developed a business case to establish the costs and benefits of different levels of interconnection and whether government support is needed to aid interconnection development.
- 4.8 DfE sought stakeholder views on interconnector supports via its SSFP consultation. This consultation was seeking views on, amongst other things, whether interconnectors should have their own licencing regime, who should determine the need for interconnection, and should a support scheme for interconnection be developed. This consultation closed on Friday 19th April 2024.
- 4.9 In their consultation, DfE advised that they believe an objective assessment of the need for further interconnection for NI is required, particularly from 2030 onwards with expected higher levels of renewables on the system, including significant offshore wind. This is particularly relevant given Ofgem note the LirIC connection date for GB is currently anticipated by 2032.
- 4.10 The DfE consultation included the following areas in the SSFP for assessment, detailed below for ease:
- (i) The costs and benefits of different levels of interconnection for the NI electricity network (similar to GB’s Options Assessment for Interconnectors<sup>16</sup>) taking into account current and proposed interconnector capacities;
  - (ii) The costs and benefits of alternatives to interconnection in

<sup>14</sup> <https://www.gov.ie/en/consultation/747c7-consultation-on-the-offshore-renewable-energy-ore-future-framework-policy-statement/>

<sup>15</sup> [Transitioning to a net zero energy system - Consultation on design considerations for a Northern Ireland Smart Systems and Flexibility Plan \(economy-ni.gov.uk\)](#) and [Energy Strategy - Path to Net Zero Energy - 2024 Action Plan Report \(economy-ni.gov.uk\)](#)

<sup>16</sup> <https://www.nationalgrideso.com/document/162356/download>



addressing security of supply and other issues which interconnection can mitigate;

- (iii) The consequences of that interconnection being different to foreign electricity networks, in particular the shared weather patterns of the British Isles need to be taken into account in any interconnection cost benefit analysis; and
- (iv) The need for further North South interconnection (beyond the North South Interconnector currently in development), and further connection of the Single Electricity Market (SEM) to continental Europe.

4.11 DfE sees this analysis as a major workstream to emerge from the SSFP. This will work towards the consideration of policy development, which will consider the following:

- (i) The services that interconnection can provide to the NI network (both direct and multi-purpose interconnectors);
- (ii) The alternative sources of those services, and how do their costs and benefits compare to those of interconnection;
- (iii) The need of the NI networks for interconnection, particularly in light of the nature of NI's network. Is the EU average target of 15% by 2030 appropriate for NI;
- (iv) Who should develop the analysis of such need e.g., SONI, NIEN, UR or an independent consultant;
- (v) Whether NI needs a policy on the amount of interconnection which is desirable and the form and amount of any support mechanism to deliver the preferred amount;
- (vi) Whether NI needs to develop a specific licensing regime for interconnectors, either as a sub-set of generators or as a separate licensable activity, with appropriate conditions for interconnector licences;
- (vii) Whether there are other jurisdictions on which NI should base its assessment and/or regulatory framework, and/or support mechanism;
- (viii) Routes to market for services which interconnectors can provide, and developments needed in routes to market to



facilitate appropriate levels of interconnection;

- (ix) Barriers to interconnection to NI which inhibit them providing the full range of services to the NI electricity network of which they are capable; and
- (x) Barriers to developing new interconnection to NI.

4.12 UR intends to work in partnership with DfE in establishing the needs case for interconnection in parallel with the assessment of whether or not a Cap and Floor regime is appropriate for Northern Ireland.

4.13 We are currently working with DfE to develop this project and intend to share the timelines<sup>17</sup> on the need for interconnection upon publication of the decision for this licence consultation.

### **What is a Cap and Floor Regime?**

4.14 The [Cap and Floor Regime](#) was created in 2014, by Ofgem, to incentivise developers to build interconnector capacity in GB. The Cap and Floor regime achieves this by limiting developers' exposure to risk by transferring some risk onto consumers.

4.15 Under a Cap and Floor regime, a yearly maximum (cap) and minimum (floor) level for the revenues that the interconnector can earn is set for a period e.g. 25 years. If an interconnector does not earn enough to cover its costs, its revenue is 'topped up' to the floor from charges applied to all consumers. If revenues exceed the cap (the most an interconnector is entitled to earn), the interconnector owner gives back the excess revenue by reducing transmission charges for all consumers.

4.16 At present, eight interconnectors have been awarded a Cap and Floor regime by Ofgem, linking Great Britain with Ireland, Germany, France, Belgium, Norway, and Denmark

### **Determining if a Cap and Floor is appropriate for NI customers**

4.17 Making a Cap and Floor regime capable of being offered requires significant analysis involving studies on welfare benefit. Other jurisdictions seeking to

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<sup>17</sup> At time of writing, this is dependent upon the DfE SSFP next steps



offer a Cap and Floor regime (e.g. Belgium, Ireland) have taken time to determine if it was an appropriate revenue regime capable of being offered to interconnector developers.

- 4.18 In-depth consultations with stakeholders (Including DfE, regional government, Consumer Council etc.), and data modelling on the likely welfare impacts on consumers, will need to be completed before it can be determined whether a Cap and Floor regime is appropriate for NI consumers.
- 4.19 Ofgem, with support from external consultants, has been assessing LirIC's application for a Cap and Floor regime (for the GB connection of the proposed interconnector).
- 4.20 Ofgem recently held a consultation regarding the Initial project assessment of the third cap and floor window for electricity interconnectors<sup>18</sup> which closed on 31 May 2024. During this consultation seven projects applied for a cap and floor, including LirIC.
- 4.21 In their consultation, Ofgem sought views from stakeholders on their minded-to positions across the seven projects. With regards to LirIC, Ofgem consulted on their minded to position not to offer a cap and floor regime based upon negative total welfare impact on GB of the project. It is important to note that Ofgem only considers the impact on GB, as their cap and floor is underpinned by GB consumers. We note that Ofgem's consultation was minded to not offer a cap and floor to a total of six out of seven projects that applied during this window.

## **Other considerations**

- Q8 What are the specific issues of further interconnection that are most likely to need specific regulation? Please provide your reasons.**
- Q9 Do respondents have any views on the proposed approach in relation to a potential regulated Cap and Floor operating revenue regime?**

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<sup>18</sup> [Initial Project Assessment of the third cap and floor window for electricity interconnectors | Ofgem](#)



## 5. Responding to the Consultation

### Consultation questions

5.1 The UR is keen to hear the views of interested stakeholders and invite representations on the following questions:

- Q1 Do respondents have any objections to the UR's proposal to grant a transmission licence (which includes the terms and conditions set out in a draft of the proposed licence) to TI? If so, please set out the basis and reasons for any such objection.
- Q2 Do respondents agree with the UR's proposed two-step approach UR. Please provide any supporting information.
- Q3 What are respondents' views pertaining to consumer impact, or any other impact, in granting a licence without specified operational revenue regime licence conditions? Please provide further information which lends support to the views expressed.
- Q4 What are respondents' views on the risks and benefits of the proposed approach?
- Q5 Are there any additional risks or benefits regarding further interconnection? If so, please provide supporting evidence.
- Q6 Do respondents have any views regarding the anticipated timelines outlined?
- Q7 Are there other provisions that stakeholders consider should be included in the licence conditions and/or the revocation schedule? Please provide details and supporting rationale.
- Q8 What are the specific issues of further interconnection that are most likely to need specific regulation? Please provide your reasons.
- Q9 Do respondents have any views on the proposed approach in relation to a potential regulated Cap and Floor operating revenue regime?

### Responding to this consultation

5.2 This is an open consultation, and we would encourage stakeholders to submit their views on any issues connected to this consultation.



- 5.3 Responses to this consultation should be forwarded to reach UR before **4pm on 25 July 2024** and should be addressed to:

Utility Regulator  
Queens House  
14 Queen Street  
Belfast  
BT1 6ED

- 5.4 Our preference is that responses are submitted by email to:

Email: [ElecGenLicensing@uregni.gov.uk](mailto:ElecGenLicensing@uregni.gov.uk)

- 5.5 This document is available in accessible formats. Please contact:

[info@uregni.gov.uk](mailto:info@uregni.gov.uk)

### **Publication of responses**

- 5.6 We plan to publish the responses received to this consultation. We also plan to publish a summary of responses and how we have addressed them in finalising our approach to this licence consultation.
- 5.7 If you do not want all or part of your response or name made public, please state this clearly by marking the response as 'CONFIDENTIAL'. Any confidentiality disclaimer that this automatically produced by an organisation's IT system or is included as a general statement will be taken to apply only to information in your response for which confidentiality has been specifically requested.
- 5.8 If you want other information that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act 2000, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential.
- 5.9 Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily Freedom of Information Act 2000 and the Data Protection Act 2018).
- 5.10 As stated in the GDPR Privacy Statement for consumers and stakeholders, any personal data contained within your response will be deleted once the





matter being consulted on has been concluded though the substance of the response may be retained.

## **Next steps**

- 5.11 We expect to publish our decision on this consultation in Q4 2024. Full details of the two-step approach and timescales are presented in Section 2<sup>19</sup>.

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<sup>19</sup> See paragraph 2.11



# Appendix 1 – Notice of proposal to grant transmission licence

## NOTICE UNDER ARTICLE 10(4) OF THE ELECTRICITY (NORTHERN IRELAND) ORDER 1992 (the “Order”)

Pursuant to Article 10(4) of the Order, the Northern Ireland Authority for Utility Regulation (the “Authority”), hereby gives notice as follows:

- 1 It proposes, in accordance with Article 10(1)(b) of the Order, to grant a licence to TI LIRIC LIMITED, a private limited company incorporated and registered in England & Wales (company number 12300898) and having its registered office at 17th Floor, 88 Wood Street, London, EC2V 7DA (the “Proposed Licensee”) authorising it to participate in the transmission of electricity for the purposes of giving a supply to any premises or enabling a supply to be so given.
- 2 The Authority's reasons for proposing to grant the licence are as stated in the consultation document accompanying this notice.
- 3 The Authority also considers that the grant of the proposed licence would be an appropriate course of action for it to take as it will further the Authority's principal objective which 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.
- 4 The Authority further considers that the application made by the Proposed Licensee has been made in the prescribed manner and that the appropriate fee has been submitted.
- 5 The purpose of this public notice is to bring the proposed grant of the licence referred to above, to the attention of persons likely to be affected by any such grant and to invite representations or objections in respect of the proposed licence. Any representations or objections with respect to the proposed licence may be made **before 4pm on 25 July 2024**.
- 6 A copy of the proposed licence can be obtained by clicking [here](#) or by requesting an electronic or hard copy from the Authority:

Electricity Generation Licensing Markets Directorate  
The Northern Ireland Authority for Utility Regulation  
Queens House  
14 Queen Street  
Belfast  
BT1 6ED  
Tel: 028 9031 1575  
Email: [ElecGenLicensing@uregni.gov.uk](mailto:ElecGenLicensing@uregni.gov.uk)  
Web: [www.uregni.gov.uk](http://www.uregni.gov.uk)



Dated this **30 May 2024**

**John French**  
**Chief Executive**

**For and on behalf of the Northern Ireland Authority for Utility Regulation**

