

RP7 Final Determination - Annex Z - NIE Networks' response to the draft determination

Number	FD Chapter / Annex	Response Reference / Paragraph	High Level Topic	Comments	UR Response
1	Chapter 3 - Network Costs	Chapter 3, para 2.17	Efficiency Modelling	UR has been unable to provide the company and NERA with access to CEPA's RP7 modelling suite. NERA was therefore unable to conduct a comprehensive assessment of the cost benchmarking results and conclusions. As such, its assessment of UR's approach is based entirely on the descriptions provided in UR's draft determination.	This point is accepted. Like NIE Networks, we were unable to secure the permission of all the GB DNOs to share the raw data. In the absence of such detail, we have endeavoured to be as transparent as possible. This includes presenting to the company on methodology and pre-modelling adjustments, publishing efficiency results, coefficients and sensitivity analysis.
2	Chapter 3 - Network Costs	Chapter 3, para 2.19 - 2.23	Efficiency Modelling	NIE Networks faces proportionately higher connections costs compared with the GB DNOs. NIE Networks considers that placing 50% weight on pre-allocation I&IMFT models is erroneous as it fails to address the different scope of connection activities between GB DNOs and NIE Networks.	Whilst we agree that the company has higher connection costs, we do not think it is an error to rely on pre-allocation IMFT&I models. This is due to the following factors: 1) There is a wide range of market shares across GB DNOs, yet Ofgem did not exclude connection costs from its benchmarking. 2) The difference in market share does not seem to fully explain the much larger connection costs reported by NIE Networks. 3) Even if the company has followed regulatory reporting guidance, we cannot have certainty that the cost allocation methodology is the same as GB DNOs. See the CEPA addendum report to Annex B for a fuller discussion of this issue.
3	Chapter 3 - Network Costs	Chapter 3, para 2.25	Efficiency Modelling	At RP5, the Competition Commission ("CC") tested both post-allocation models and pre-allocation models, but ultimately decided to rely solely on models that exclude all indirect costs allocated to connections (i.e., post-allocation models).	Whilst this point is accepted, CC also stated the following, <i>"there are also drawbacks from the exclusion of connection costs, because the analysis will be vulnerable to any inconsistencies between DNOs in the sample in cost allocation methods for connections. Given the size of the adjustment to exclude connection costs...such inconsistencies could have a significant impact on the results."</i> This issue remains a concern at RP7. We further note that both models were used at the RP6 final determination, which was ultimately accepted by NIE Networks.
4	Chapter 3 - Network Costs	Chapter 3, para 2.31	Efficiency Modelling	Analysis has also failed to show any evidence to support concern with post-allocation modelling.	We disagree with this statement. Modelling of the Network Operating Costs (NOCs), which are largely unimpacted by cost allocations, shows a material difference in efficiency performance compared to the post allocation results. Despite this only being a subset of costs, it is not clear why the company would be so much more efficient for indirect overheads than for IMFT activity. This provides evidence to support our concern around sole reliance on post allocation modelling.
5	Chapter 3 - Network Costs	Chapter 3, para 2.46	Efficiency Modelling	In applying the RWA [Regional Wage Adjustment] to DNOs' entire labour share, CEPA unfairly penalises those DNOs operating in relatively low wage areas of the country (which appear less than efficient than they are in reality). Conversely, DNOs in high wage areas appear more efficient than they really are.	For the final determination we have adopted the approach of applying Ofgem's local labour adjustment to all cost categories for GB companies but assumed 100% of NIE Networks labour is sourced locally. CEPA has investigated the issue and concluded that both this and the NIE Networks approach is reasonable. Theoretically GB and NIE Networks has access to common labour markets. However, we do not have good evidence that the companies incur similar labour costs across the areas that Ofgem applied the local labour adjustment to. Ultimately, we do not consider that the Ofgem local labour proportions should be applied to NIE Networks due to the following: 1) NI is the lowest cost region in the UK (so no incentive to use other labour). 2) We have not seen any evidence that GB DNOs incur labour outside of GB. See CEPA addendum report for a fuller discussion of this issue.
6	Chapter 3 - Network Costs	Chapter 3, para 2.48	Efficiency Modelling	Despite locating its staff in NI, NIE Networks hires professional advisors from GB and globally including legal advisors, economic advisors and IT providers. The company also has arrangements in place to draw on GB-based resources in urgent cases.	NIE Networks provided anecdotal evidence that they procure some services in GB. However, they were not able to advise of the materiality and we assume this proportion would be low. The company also confirmed that the share of labour costs which cannot be incurred locally is theoretically 'zero'.
7	Chapter 3 - Network Costs	Chapter 3, para 2.48	Efficiency Modelling	Not applying a local labour adjustment will create bias in the efficiency assessment of DNOs to NIE Networks' detriment. NIE Networks requests that in its final determination UR should either: • rely on Ofgem's local labour adjustment factor and apply it to all models that form part of its 'triangulation'; or • perform its own independent assessment to compute a local labour adjustment factor and apply it to all models that form part of its 'triangulation'.	We have updated the analysis to take account of Ofgem's local labour adjustment. However, we have not applied this adjustment to NIE Networks cost base. This is due to the reasons specified above. Ultimately this change makes a limited impact on the efficiency assessment. We accept that adoption of the Ofgem local labour adjustment to NIE Network costs would make a material difference. Were we to give equal reliance on both approaches this would increase the efficiency gap estimate from 16.0% to 17.9%. We do not think sole reliance on the NIE Networks preferred models would be correct. This would overstate their efficiency outperformance as the company has limited labour costs contracted from GB.
8	Chapter 3 - Network Costs	Chapter 3, para 3.11	Efficiency Modelling	UR is wrong to attach equal weight to each of CEPA's nine models (i.e. three pre-allocation I&IMFT models, three post-allocation I&IMFT models, and three NOCs models) in order to assess NIE Networks' overall efficiency. NOCs models only compare a subset of I&IFMT costs and should therefore be assigned a lower weight than the I&IMFT models.	We accept that triangulating between IMFT&I and NOCs model outputs using equal weights creates the risk of a biased estimate. For the final determination we have placed no reliance on the NOCs models. It should however be recognised that this could be considered a conservative approach as NERA advised that a lower weight could apply. CEPA further advised that UR may wish to consider the evidence from standalone NOCs models in the round when setting future cost allowances, rather than directly triangulating the results from these models with those from IMFT&I models.

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9	Chapter 3 - Network Costs	Chapter 3, para 3.18	Setting the IMFT&I Allowance	In its draft determination, UR rejects NIE Networks' evidence and rationale for expecting an increase in I&IMFT costs for RP7, and instead sets the allowance at the mid-point between the upper quartile and the company's historical 2021/22 expenditure.	As detailed in the draft determination, choice of the mid-point reflected uncertainty as to whether NIE Networks performance was due to scope differences or efficiency. Whilst we accept that the 50% was arbitrary, assuming 100% uplift due to scope differences without evidence would be more problematic. Without verification, such an approach would result in an outcome that systematically overstates NIE Networks required costs. In the final determination we have updated the scope uplift to 100% on the basis of the provision of satisfactory information.
10	Chapter 3 - Network Costs	Chapter 3, para 3.23	Setting the IMFT&I Allowance	As set out in NERA's DD Report, Ofgem and Ofwat regulatory precedent demonstrates that a determination of overall allowances above modelled efficient costs is common for the most efficient companies.	We do not think the regulatory precedent quoted exactly supports the position espoused in the business plan. As NERA notes, the Ofgem ratchet ensures that allowed costs are based on the lower of either submitted business plan or modelled costs. This is contrary to the NIE Networks proposal.
11	Chapter 3 - Network Costs	NERA Response	Setting the IMFT&I Allowance	Ofgem's Business Plan Incentive (BPI) mechanism of reward/penalty encourages network operators to submit ambitious business plans.	This point is not disputed. However, this framework incentive does not exist for NIE Networks. Neither would we expect the Ofgem BPI to outstrip the ratchet impact. This suggests that GB DNOs are sharing efficiency performance with consumers. NIE Networks proposals to undertake a 100% uplift ensures that consumers receive no future benefit from better than upper quartile (UQ) performance if they are genuinely more efficient.
12	Chapter 3 - Network Costs	NERA Response	Setting the IMFT&I Allowance	Ofgem's cost assessment compared companies' cost forecasts at RIIO-ED2 and GD2, setting forward-looking allowances based on the upper quartile of companies cost forecasts, not historical costs. Hence, if all companies' cost forecasts show increases, as we would expect for electricity network companies developing new capabilities to support net zero, all companies could receive an allowance that exceeds their historical costs.	NIE Networks IMFT&I cost allowances are increasing substantially in RP7 for new activities. We are not expecting costs to be maintained at the base year level. This criticism does therefore not seem appropriate.
13	Chapter 3 - Network Costs	NERA Response	Setting the IMFT&I Allowance	At PR19, for instance, Ofwat granted Portsmouth Water, the company with the best efficiency score in wholesale water, an allowance 10 per cent above its business plan cost forecast. While Ofwat capped this allowance at 10 per cent over the business plan costs (i.e. its assessment of efficient costs was 16 per cent higher than the amount the company's business plan), Ofwat argued that the reward struck an appropriate balance between protecting customer interests while also retaining the incentive for the company to submit stretching business plans in the future.	Our final determination has adopted a similar approach in terms of the top-down review. We have adjusted the scope uplift from 50% to 100% on the basis that scope differences have been proven from a bottom-up basis. It should however be noted that the capping of the uplift by Ofwat would suggest that automatic elevation to the upper quartile should not be automatic and may not be appropriate in all circumstances.
14	Chapter 3 - Network Costs	Chapter 3, para 3.24	Setting the IMFT&I Allowance	UR's approach to setting allowances at RP7 does not reflect the trend of increasing costs faced by electricity network companies in the UK, due to rising input costs and an expanding scope of activities linked to renewable energy integration, building DSO capability, and electrifying load.	The expanding scope of activities has been fully considered in the bottom-up analysis. The frontier shift also considers the issue of real price effects. We consider this to be a robust approach to setting future allowances for the RP7 period. We would however note that it is for NIE Networks to fully justify why costs are increasing. We do not think this has been done conclusively in terms of the business plan request.
15	Chapter 3 - Network Costs	Chapter 3, para 4.6 to 4.9	Indirect Scalar	In its draft determination, UR assessed that NIE Networks' direct capex (excluding D5 projects) will increase by 128% on average across RP7. UR applied Ofgem's indirect scalar of 0.108 to the direct capex increase in percentage terms. NIE Networks considers that this approach is a misapplication of Ofgem's indirect scalar that understates the additional allowance required. The approach adopted by Ofgem meant that the indirect scalar used a linear relationship between CAI and capex, not a proportional relationship as adopted by UR in its draft determination. Applying a linear relationship between CAI and capex in line with Ofgem's approach, would result in NIE Networks being granted an additional allowance of £50.5 million across RP7 or £8.4 million per annum.	We accept that the draft determination position is incorrect. As a result we have adopted the Ofgem coefficient for setting indirect costs. Given the updated capital programme allowances we estimate that this will result in an indirect uplift of £9.4m/a. This is higher than the revised position of £8.4m/a as detailed in the NIE Networks consultation response. We would however note that it is lower than the £14m/a as detailed in the business plan request, but which we did not consider to be fully justified.
16	Chapter 3 - Network Costs	Chapter 3, para 5.7	IT Allowances in IMFT&I	UR has incorrectly understated BAU IT-related indirect costs through its benchmarking exercise, as it has made no adjustments to reflect its bottom-up assessment of, and the allowance granted for, all IT-related costs.	We disagree with this statement. For the purpose of the draft and final determination we have set IT allowances using a bottom-up assessment of costs. This ensures that the correct IT provision is made.

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17	Chapter 3 - Network Costs	Chapter 3, para 5.7	IT Allowances in IMFT&I	For "new" IT-related indirect costs, NIE Networks acknowledges that UR has taken into account a proportion of such costs in its top-down allowance for I&IMFT. However, this amount falls significantly short of the amount requested by NIE Networks and provisionally granted by UR through its bottom-up assessment of overall IT-related costs. NIE Networks considers that this misalignment is erroneous.	<p>We do not consider an error to have been made. At the draft determination the specific IT uplift ensured that the IT review costs were given appropriate provision. For the final determination we have provided the full top-down scope uplift so have not made any specific extra IT provision. Ultimately however, the allowance is based on the bottom-up analysis which includes the vast majority of additional IT spend.</p> <p>We are however of the view that the NIE Networks top-down approach is flawed. During engagement the company indicated that they have chosen to uplift all costs by the 24% scope difference. They have then added new IT costs on top of this. This has the effect of potentially pushing costs above the UQ level, which we would consider to be inappropriate.</p> <p>The company has since argued that NERA has carried out an efficiency assessment that strips out IT in its entirety. The results are that the efficiency gap is reduced but only marginally, so any costs requested for activities not carried out in 2021/22 (i.e. new IT-related activities), could be added on and still see the resultant costs sitting no higher than the UQ level.</p> <p>We have several issues with this position including the following:</p> <ul style="list-style-type: none"> • We have not undertaken such benchmarking so cannot verify the NERA results. Neither was this part of the company business plan. • If correct, remaining IMFT&I base costs should only be uplifted by the lower efficiency percentage, otherwise there will be a double count. • Such an adjustment would only be appropriate if we had certainty that GB companies were not already doing the additional IT activity planned by NIE Networks (which cannot be known). • The scale of the IT and Telecoms uplift for business support costs is much larger for NIE Networks than for GB DNOs, suggesting that much of the differential is provided by the scope uplift. <p>Given these issues we do not think the separate IT uplift is appropriate from a top-down basis.</p>
18	Chapter 4 - Direct Network Investment	Chapter 4 - Summary	Direct Network Investment	UR's approach to determining unit costs fails to reflect the significant price increases affecting materials and services that are driven by macro-economic conditions completely outside of the control of NIE Networks. A mid-point reopener is needed to assess these price increases and NIE Networks welcomes further engagement with the UR on the design of this mechanism;	We used data from the 2023/24 RIGs submission to give us the most up-to-date and accurate view of unit costs. For sub-programmes driven by overhead line contractors, we focussed on the 2023/24 data as this should align with the cost increases that the company claimed it was facing. The data guided our final determination position
19	Chapter 4 - Direct Network Investment	Chapter 4 - Summary	Direct Network Investment	UR has incorrectly applied reductions to unit costs to address concerns which, even if correct, should be reflected either in the scope of the allowed work or in the allowed volume of such work;	UR and its consultants (GHD) have had significant engagement with the company post DD and has made adjustments based on gaining a better understanding of the company's position.
20	Chapter 4 - Direct Network Investment	Chapter 4 - Summary	Direct Network Investment	UR has applied disproportionate reductions to allowances in response to minor data errors;	
21	Chapter 4 - Direct Network Investment	Chapter 4 - Summary	Direct Network Investment	UR has misunderstood information provided to it in respect of certain cost categories, with the result that it allows no allowance or an allowance that is too low.	
22	Chapter 5 - Frontier Shift	Chapter 5, para 2.5	Real Price Effects	UR's provisional decision not to distinguish between general and specialist electrical engineering labour would, if carried forward into the FD, prejudice NIE Networks' ability to fund its input costs for its regulated activities.	<p>We do not believe this to be the case. Our analysis uses OBR figures which capture changes in the average hourly earnings index. These are forecast to increase on average by 3.2% p.a. in nominal terms from the base year to the end of RP7.</p> <p>By contrast, the historic averages for civil and electrical engineering since 2010-11 have grown by around 3% p.a. This represents a slower growth rate than the ONS total economy average weekly earnings index of 3.1% and the OBR forecasts.</p>
23	Chapter 5 - Frontier Shift	Chapter 5, para 2.11	Real Price Effects	Given specialist labour makes a significant proportion of NIE Networks labour, with labour costs accounting for 52.8% of NIE Networks' Capex costs and 77.3% of NIE Networks' Opex costs, the inclusion of the two specialist labour indices better reflects these costs to NIE Networks.	We are not in a position to verify the exact proportion of specialist labour. However, there is little evidence to suggest that specialist indices would better reflect NIE Networks costs as historic growth rates are in line with total economy averages.
24	Chapter 5 - Frontier Shift	Chapter 5, para 2.11	Real Price Effects	Data on past pay increases for key occupations specific to NIE Networks growing below the OBR average hourly earnings index should not be a reason for excluding from future allowed costs labour indices that reflect the cost of NIE Networks or a notional company in the sector.	<p>If these costs track closely with whole economy weekly earnings averages, it seems reasonable to rely on this for forecasts rather than adopting specialist indices.</p> <p>Historic growth rates show we are not wrong to rely on whole economy figures or are introducing a bias which is detrimental to NIE Networks.</p>
25	Chapter 5 - Frontier Shift	Chapter 5, para 2.11	Real Price Effects	The indices chosen and their weightings should seek to closely match NIE Networks' cost profile.	Whilst we agree with this sentiment, it does not appear that NIE Networks has adopted such an approach. The company chosen indices represent a simple average rather than a detailed assessment of the staff proportional split.
26	Chapter 5 - Frontier Shift	Chapter 5, para 2.13	Real Price Effects	The draft determination notes that there is no agreed approach but does not address the different regulatory approaches that have been taken in respect of this issue, nor consider whether any particular previous approach might be more appropriate to follow in this case.	<p>In terms of regulatory precedent, specialist labour categories have not been adopted in the most recent decisions for NI Water (PC21), gas DNOs (GD23) or NIE Networks (RP6).</p> <p>Whilst Ofgem has adopted such an approach for its electricity and gas determinations, we note that in PR19 Europe Economics recommended that Ofwat adopt an ex-post true-up based on the ONS "Private sector" wage index or the ONS "Manufacturing" wage index. Use of specialist water sector wages was rejected.</p>
27	Chapter 5 - Frontier Shift	Chapter 5, para 2.15	Real Price Effects	GD23 should not be considered a relevant precedent for RP7 in the present context, because the GD23 price control is for gas rather than electricity and the skill sets are different across each industry.	<p>We disagree with this point. There will obviously be different skill sets and occupations but there will also be significant overlap in terms of construction activity, design, engineering, procurement, management etc.</p> <p>In this context, GD23 seems like a very relevant regulatory precedent. To illustrate this point we note that the some of the specialist wage indices adopted by Ofgem are identical across both the gas and electricity price controls i.e. the Price Adjustment Formula Index (PAFI) for civil engineering labour.</p>

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28	Chapter 5 - Frontier Shift	Chapter 5, para 2.15	Real Price Effects	UR should take into account Ofgem's recent RIIO-ED2 decision, in which Ofgem recognised the importance of the general / specialist labour split and applied the two specialised labour indices which NIE Networks proposed to the UR.	<p>Ofgem did recognise the importance of specialist labour. However, as noted in the draft determination, to focus on only some labour costs would be an asymmetric approach to the potential detriment of consumers.</p> <p>Other roles that may be pertinent to DNOs where there has been wage growth lower than the whole economy average would also need to be considered.</p> <p>NIE Networks response has failed to address this key issue. In the absence of such an analysis, we feel justified in retaining the current approach of using whole economy averages.</p>
29	Chapter 5 - Frontier Shift	Chapter 5, para 2.22	RPE True-Up Mechanism	Although the UR is correct that any adjustment will not be perfect given that indices are only a proxy for electricity industry costs, it is still important that the indices applied are as accurate and reflective of true short-term cost pressures as much as possible.	<p>This point is accepted, and we are generally in agreement with NIE Networks regarding the chosen RPE indices. However, in the context of a true-up mechanism, the issue remains that any automatic adjustment will be imperfect.</p> <p>It should also be noted that Ofgem are only proposing a true-up for certain costs and circumstances which meet particular materiality thresholds. This is significantly different from the NIE Networks proposal to adjust all RPEs.</p> <p>We are of the view that any true-up mechanism would need to be tailored and apply only if certain materiality thresholds are met as there is already significant protection in the price control.</p>
30	Chapter 5 - Frontier Shift	Chapter 5, para 2.23	RPE True-Up Mechanism	Any additional burden that would arise from administering the mechanism, as the UR suggests, would be outweighed by the benefits of the true-up mechanism in mitigating any unexpected gains or losses. In any event, Ofgem appears to have resolved any concerns over unmanageable complexity.	<p>As noted at the draft determination, a 'true-up' device is a reasonable suggestion. We recognise there are benefits, in particular where there is a risk of a windfall gain or loss.</p> <p>However, there is no question that NIE Networks proposals would add significant complication. This would require interaction with at least eight different indices.</p> <p>Each have different publication dates and processes (such as provisional figures) which may not be conducive to annual adjustments. Whilst Ofgem has committed to implementing a true-up, this is only for certain costs and where materiality thresholds are met.</p>
31	Chapter 5 - Frontier Shift	Chapter 5, para 2.25	RPE True-Up Mechanism	The "fair bet" principle allows an investor to earn returns above the cost of capital to compensate for the downside risks faced when the investment was made. Under an ex-ante regime, there is a possibility that NIE Networks is unable to recover efficiently incurred costs.	<p>NIE Networks are correct to highlight this risk. However, it is worth noting that the threat is significantly mitigated by the following:</p> <ul style="list-style-type: none"> • Ex-ante allowances for RPEs. • 50:50 cost sharing mechanism. • Employee salary control and contractor management practices. • Provision of general inflationary uplifts. <p>Furthermore, we do not consider that the "fair bet" principle is violated as NIE Networks are at least as likely to recover above the efficient cost threshold as to under recover.</p> <p>For the final determination, we have made provision for an RPE true up mechanisms and set out general principles for that mechanisms. We will consult further with NIE Networks on the detail of this mechanism.</p>
32	Chapter 5 - Frontier Shift	Chapter 5, para 2.29	RPE True-Up Mechanism	UR has proposed to apply a two-year linear glide-path instead of the five-year glide-path. NIE Networks concurs with the view set out in the E&Y RPE and Productivity Report that if a shorter glide-path is applied in the final determination as set out in the draft determination, this should be supported with the inclusion of an ex-post true-up mechanism.	<p>It is our view that these are two separate issues which should be judged on their own merits. Since publication of the draft determination, actual values have become available for 2023-24. For the materials category there is a significant swing from a positive RPE in 2022-23 to a substantially large negative RPE in 2023-24.</p> <p>If the 5-year glidepath were implemented this would artificially depress the forecasts of material costs for a much longer period. We do not consider this to be a reasonable proposition, in the same way that the business plan overestimated forecasts for a longer timeframe.</p> <p>We are minded to retain the draft determination position that costs will return to long-run averages by 2025-26. This is in keeping with OBR forecasts for inflation and wage growth.</p>
33	Chapter 5 - Frontier Shift	Chapter 5, para 3.4	Productivity	The productivity target should be set at a level which reasonably allows NIE Networks to outperform.	We are of the opinion that the 1% p.a. ongoing efficiency (OE) target is toward the top end of the range but still set at a level that can be outperformed, as evidenced by the long-term total factor productivity (TFP) trends.
34	Chapter 5 - Frontier Shift	Chapter 5, para 3.4	Productivity	Expanded comparator set for the TFP used in RIIO-ED2 includes high productivity industries (such as the Information and Communications sector), which is significantly different to the sector that NIE Networks operates in, leading to a higher upper bound of the range.	<p>This issue was raised during RIIO-ED2. The CEPA report for Ofgem stated that,</p> <p><i>"we consider that the transformation of the electricity distribution sector means that there will be increasing investment in new activities and methods of managing the networks which bear some similarity to the Information and Communications sector".</i></p> <p>We agree with this conclusion. The scale of investment as set out in the NIE Networks RP7 Digital and IT Business Plan provides further evidence of this increasing investment. Given this reality, the inclusion of this sector in the analysis seems justified.</p>
35	Chapter 5 - Frontier Shift	Chapter 5, para 3.5	Productivity	Given NIE Networks' existing levels of efficiency, the scope for NIE Networks to deliver further efficiency during RP7 to the extent required to meet a 1% productivity target is very limited.	<p>Whilst we welcome the results of NIE Networks relative efficiency performance, the productivity challenge applies equally to all DNOs as it is unimpacted by catch-up efficiency assessments.</p> <p>This position is illustrated by Ofgem in the RIIO-ED2 summary which stated, <i>"An ongoing efficiency challenge of 1% per year, reflecting an overall increase in productivity that we expect even the most efficient companies to deliver."</i> We agree with this position.</p>

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36	Chapter 8 - Innovation and Incentives	Chapter 8, para 2.10	Innovation	NIE Networks strongly disagrees that a single mid-point re-opener is appropriate. A single re-opener window will not allow for adequate flexibility for innovation over the 6-year period between 2025 and 2031, and it will result in lost opportunities for additional innovation projects from the NIF.	We do not agree with the NIE Network proposal of annual submissions with an ability to request innovation funds at any time under exceptional circumstances. Should there be exceptional events that require urgent immediate investments (e.g. force majeure), allowing revenue variations outside of the annual process can be beneficial. This is not the case for innovation projects, that are by nature designed to address forward looking needs rather than to respond to emergencies. However, we accept the point that lengthy delays may not be in consumers best interests. Consequently, we have amended the flexibility of the re-opener process to three windows (after year 1, year 3 and year 5).
37	Chapter 8 - Innovation and Incentives	Chapter 8, para 2.12	Innovation	NIE Networks acknowledges and agrees that underspend from baseline innovation projects should be utilised to (partially or fully) fund further innovation projects. UR's proposed framework appears to prioritise the allocation of potential underspend over providing flexibility therefore overlooking the NIF's intended purpose and effectiveness	This point is accepted to a certain extent. As a result, we have increased the uncertainty mechanism flexibility and decided to retain the 50:50 cost sharing approach. Project underspend will not be used to offset future innovation costs. It may however influence future funding decisions if innovation projects have not been adequately progressed.
38	Chapter 8 - Innovation and Incentives	Chapter 8, para 2.17	Innovation	UR's proposed framework is particularly detrimental to NIE Networks' ability to collaborate with partners or leverage other sources of funding. A key objective in establishing a frequent re-opener is to allow for whole system projects with multiple partners e.g. academia and industry, and/or funding streams to emerge in their own time.	Approvals (either ex-ante or via a re-opener) can be provided for allowances over several years. This should provide adequate certainty for NIE Networks to partner with academia or industry. We do not consider that further changes to the framework are required.
39	Chapter 8 - Innovation and Incentives	Chapter 8, para 2.18	Innovation	NIE Networks proposes that the NIF framework should allow it to submit project proposals annually during RP7. This will allow NIE Networks to flexibly and rapidly introduce new innovation projects where needed.	We do not agree with this approach as it risks being resource intensive. There is also a "gaming" risk of receiving inflated funding requests where in-period assessments are usually shorter and less involved than the ex-ante reviews.
40	Chapter 8 - Innovation and Incentives	Chapter 8, para 3.5	Innovation	NIE Networks is aligned with UR that there should be greater reporting and transparency around innovation in RP7.	We welcome this position. As stated in the draft determination, it is our view reporting and evaluations should all be subject to publication.
41	Chapter 8 - Innovation and Incentives	Chapter 8, para 3.16 - 3.18	Innovation	NIE Networks considers that the requirement for a full audit trail of outturn benefits from other projects is overly burdensome and unnecessary, especially because this information will be provided in post-project evaluation reports. NIE Networks proposes that requirement (i) be limited to a narrative assessment of similar projects undertaken by NIE Networks and their benefits in order to highlight any areas of overlap with the current submission.	We accept that a full audit trail may be overly prescriptive. This obligation has been removed. Further information, if required can be requested under Condition 8 (Provision of Information to the Authority). However, Ofgem's Network Innovation Allowance (NIA) and the Strategic Innovation Fund (SIF) both require that, "Projects must have clearly identified potential to deliver a net benefit to gas or electricity consumers." We agree with this obligation and would expect NIE Networks to provide justification as to how the net benefit could be achieved.
42	Chapter 8 - Innovation and Incentives	Chapter 8, para 11.19	Unplanned CMLs	NIE Networks is on target to achieve a 29% reduction in weighted average CMLs between the start of RP6 and start of RP7, which would place it amongst the best performing DNOs in the UK. However, the UR has not awarded NIE Networks with the corresponding 0.5% year on year improvement factor.	We welcome the outperformance of unplanned CML targets that has been achieved in RP6. However, the reliability incentive has been in place longer in GB than in NI. As a result, NIE Networks still lags behind in terms of absolute performance with respect to unplanned CMLs. Given this absolute gap, we are of the view that a tougher target should be imposed for RP7. We think this particularly pertinent given that funding levels in line with GB provides an expectation that customer service levels are of a similar standard as well.
43	Chapter 8 - Innovation and Incentives	Chapter 8, para 11.23	Unplanned CMLs	The adoption of a straight 4-year average of unplanned CMLs diverges from established industry practice. For both RP6 and R10-ED2 a weighted average has been used: this uses a 4-year average for each of LV and HV (6.6/11kV) CML statistics, and a 10-year average for EHV (33kV) CML statistics.	We accept this is a divergence. However, it is not clear why a 10-year average should be adopted for EHV faults. Even though they occur less frequently, use of such a long average captures worse historic performance which no longer seems applicable to NIE Networks. We are minded to retain a 4-year average for all aspects of the CML metric in order to set targets.
44	Chapter 8 - Innovation and Incentives	Chapter 8, para 11.26	Unplanned CMLs	UR has generally misrepresented NIE Networks' performance level against the GB DNOs, by drawing comparisons on absolute terms. NIE Networks considers that only SSEH is a comparable DNO to the company based on OHL versus underground ratio and also customer numbers.	We do not consider the performance to be misrepresented. NIE Networks data illustrates that Western Power Distribution [(SWALES) and (SWEST)] proportion of overhead lines (OHL) is similar to NI, yet they have much better unplanned CML performance. NIE Networks has failed to explain why these companies do not represent comparable DNOs. Using the example of SSEH which NIE Networks accept as a legitimate comparator, we see worse absolute performance but a tougher target of 4% p.a. reductions. This lends weight to our approach for RP7.
45	Chapter 8 - Innovation and Incentives	Chapter 8, para 11.27	Unplanned CMLs	When the GB average data is normalised against NIE Networks' network topology ratios and customer numbers, it is clear that NIE Networks is actually below the GB average.	On review of the data normalisation approach, we do not think the calculations give a fair reflection of GB DNO performance. Ofgem benchmark using a CML per CI approach, but this is problematic given different CI definitions between regions. However, what is clear is that comparable DNOs with a similar proportion of OHL have better unplanned CML performance. This suggests that scope for improvement exists.
46	Chapter 8 - Innovation and Incentives	Chapter 8, para 11.28	Unplanned CMLs	UR has incorporated NIE Networks' unplanned CML savings into its unplanned CML target prior to the financial incentive being applied. This approach differs to that of Ofgem who allocated the improvement factors on the DNOs without taking consideration of each DNO's investment programme.	This point is accepted. However, our approach simply mirrors that taken by NIE Networks in the business plan. Such a methodology seems appropriate given specific funding which will address customer interruptions. It would seem counter-intuitive for consumers to fund CML improvements and then provide NIE Networks an additional bonus for delivering agreed outputs.

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Number	FD Chapter / Annex	Response Reference / Paragraph	High Level Topic	Comments	UR Response
47	Chapter 8 - Innovation and Incentives	Chapter 8, para 12.6	Planned CMLs	NIE Networks does not agree that the RIIO-ED2 planned CML incentive is appropriate for use in NI because of the fact that the network programme planned for GB in RIIO-ED2 is different to that planned for NI in RP7.	<p>Whilst there are differences, it is also true that variations exist in GB, yet Ofgem has retained the planned CML incentive for all DNOs.</p> <p>It is difficult to compare NI and GB capital programmes due to differences in the regulatory frameworks in terms of what is funded upfront and what is included in uncertainty mechanisms. However, it is worthwhile noting the comment from NERA in the submission that,</p> <p><i>"Our comparison exercise shows that NIE's proposed rates of increase for load related capex, while being higher than Ofgem's average allowed rates of increase in RIIO-ED2, are in line with the British DNOs submitted costs for ED2. The same conclusion holds for non-load related capex after accounting for the two large capex programmes NIE has planned for RP7."</i></p> <p>Given this viewpoint, we do not see a good reason to treat NIE Networks substantially differently for planned CML performance.</p>
48	Chapter 8 - Innovation and Incentives	Chapter 8, para 12.7	Planned CMLs	Proposed mechanism will generate a significant concern for NIE Networks in the planning of its programme for RP7, as it will encourage NIE Networks to either restrict its work delivery or incur higher than normal planned CMLs in the first few years of RP7 to create a scenario where a positive incentive payment could be earned in the final years.	<p>Restricting work delivery would have negative reputational incentives and be contrary to RP7 output obligations.</p> <p>Due to the two-year lag, increasing planned CMLs above target to gain a reward at period end would be somewhat illogical. NIE Networks would have to incur a number of years of financial penalties to gain a potential reward at the end of RP7. This would not be in customers or their own interests.</p> <p>It is however accepted that there is a risk that the cost of meeting the target may be greater than the incentive amount. As such, it is possible that performance may deteriorate. However, we would expect a prudent operator to restrict any deterioration.</p>
49	Chapter 8 - Innovation and Incentives	Chapter 8, para 12.8 - 12.9	Planned CMLs	<p>UR has failed to recognise the differences between NI and GB with respect to planned CMLs. In Northern Ireland, planned CMLs are forecast to almost double in RP7 as a result of commitments to OHL replacement.</p> <p>In comparison, GB DNOs have committed to a significantly lower amount of 11kv and LV network build as part of their network configurations during RIIO-ED2. GB DNOs have also performed these types of overhead line activities in previous price control periods, whilst NIE Networks has not.</p>	<p>Differences in timing of spend is accepted. However, planned CML performance is currently much better in GB than Northern Ireland, despite having already undertaken this work.</p> <p>This suggests that NIE Networks has improvements to be made in terms of customer service and the focus on this metric should not be removed simply due to timing of activity.</p>
50	Chapter 8 - Innovation and Incentives	Chapter 8, para 12.11	Planned CMLs	The company submits that the EPF is a strong and appropriate mechanism to incentivise the company to improve its performance with respect to planned CMLs.	<p>We might agree with this if i) reasonable planned outage targets are defined; and ii) wider customer experience expectations are set.</p> <p>NIE Networks has not detailed how the EPF would address these issues. In absence of this, we think retention of planned CMLs within the reliability incentive maintains focus on this key consumer issue.</p>
51	Chapter 8 - Innovation and Incentives	Chapter 8, para 12.15	Planned CMLs	NIE Networks requests that, in its Final Determination, the UR removes the proposed planned CML mechanism set out in the draft decision and instead incorporates a qualitative assessment of planned CMLs as part of a wider customer service element within the EPF mechanism.	<p>We disagree with this request. NIE Networks has not properly justified the difference in performance levels between themselves and GB DNOs to merit different treatment.</p> <p>Neither have they explained how a qualitative assessment in the EPF might work or how customers would be protected in such a regulatory framework. With planned CMLs, there is also the issue of quite a material difference in absolute performance.</p> <p>In the absence of this detail we are minded to retain the Ofgem methodology for setting the planned CML target and the proposed financial reward/penalty as part of the reliability incentive.</p> <p>We have however tailored the approach to account for the fact that the scale of the capital programme increase is higher for NIE Networks. As a result, we have used the 3-year average plus 5 CMLs to set the target. This ensures that the company will not be penalised for some deterioration, and will receive a reward for maintaining current service levels.</p>
52	Chapter 8 - Innovation and Incentives	Chapter 8, Chapter 8 - Summary	Worst Served Customer	The UR has not approved an allowance for NIE Networks to address issues affecting worst served customers.	After further engagement with NIE Networks we have reversed our draft determination and allowed the requested allowance in the final determination with the caveat that the volume of worst served customers will be reduced by 50% during the term of RP7
53	Chapter 10 - Evaluative Performance Framework	Chapter 10 - Summary	Evaluative Performance Framework	The impartiality and independence of the EPF Panel risks being undermined by the UR's proposal that the Panel should draw on the evidence and views of the UR when making its assessments	We favour retaining the option to comment and would note the UR has chosen not avail of this opportunity in recent iterations of the SONI EPF.
54	Chapter 10 - Evaluative Performance Framework	Chapter 10 - Summary	Evaluative Performance Framework	The EPF provides insufficient opportunities for NIE Networks to review and comment on the EPF Panel's evaluations;	An opportunity for review has been introduced to the final guidance document.
55	Chapter 10 - Evaluative Performance Framework	Chapter 10 - Summary	Evaluative Performance Framework	The UR fails adequately to define the scope of areas that fail to be assessed by the EPF Panel; and	The final document has assigned weights of 25% to each of the four roles defined in the EPF guidance. This will not limit the precise nature of services included under each role but will give more certainty to the long term decision making by NIE Networks.
56	Chapter 10 - Evaluative Performance Framework	Chapter 10 - Summary	Evaluative Performance Framework	The UR's proposal to adopt a symmetrical structure for positive and negative incentive amounts under the EPF is inconsistent with regulatory precedent and undermines the company's incentive to invest in areas within the scope of assessment.	We disagree that a symmetrical nature undermines the incentive to invest. NIE Networks is substantially bigger than SONI and any penalty would not have the same materiality of impact. We have therefore retained the symmetrical structure for the final determination.

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Number	FD Chapter / Annex	Response Reference / Paragraph	High Level Topic	Comments	UR Response
57	Chapter 11 - Other Matters	Chapter 11 - Summary	Licence Modifications	NIE Networks' concerns, in summary, are that there are a number of areas where additional amendments to the RP7 licence modifications beyond those set out in the DD should be considered, including to enable the recovery of certain costs which the UR had indicated would be recoverable but which are not currently permitted under the relevant licences	It will be necessary to consider some of the amendments NIE Networks have raised outside the RP7 process. Cost which are not currently permitted under the relevant licences have been determined and included with licence modifications.
58	Chapter 12 - Price Control Design	Chapter 12 - Summary	Uncertainty Mechanisms	the design of certain uncertainty mechanisms inhibits the company's ability to invest to enable delivery of long-term net zero ambitions, even if this investment is ahead of shorter-term need in RP7, by placing too much risk on NIE Networks (e.g. through scope for clawbacks), thereby encouraging the company to delay investment to mitigate that risk;	UR has not introduced any new clawback mechanisms and will continue to monitor the company against the existing Demonstrably Inefficient/Wasteful Expenditure mechanism. Each uncertainty mechanism is considered within Annex S of the FD.
59	Chapter 12 - Price Control Design	Chapter 12 - Summary	Uncertainty Mechanisms	the proposed materiality thresholds for several uncertainty mechanisms are too high and are likely to incentivise over-scoping of projects in order to benefit from triggering an uncertainty mechanism or de-prioritisation of projects that do not hit the materiality threshold;	Each uncertainty mechanism is considered within Annex S of the FD.
60	Chapter 12 - Price Control Design	Chapter 12 - Summary	Uncertainty Mechanisms	the proposed mechanics (including timing) of certain uncertainty mechanisms introduce unnecessary delays that are likely to push up costs and delay essential investment	Each uncertainty mechanism is considered within Annex S of the FD.
61	Chapter 12 - Price Control Design	Chapter 12 - Summary	Transmission approvals	notwithstanding the availability of uncertainty mechanisms, an expedited review of the NI transmission infrastructure approval process is required to ensure the achievement of 2030 renewable targets (and beyond).	UR is the final stage in approval of new transmission infrastructure projects. Therefore, it could be perceived that any delay in the execution of these projects is due to UR involvement. UR strives to provide approvals in a timely manner but cannot be held responsible for delayed submissions. Furthermore, UR governance procedures must be upheld to provide protection to customers
62	Chapter 13 - Financial Aspects	Chapter 2 - key messages, para 4.14	Cost of equity vs cost of debt	The UR's methodology for calibrating the cost of equity produces an allowed return which is too close to the prevailing cost of debt	NIEN largely agrees with the UR's approach to calculating the risk-free rate, beta and the cost of debt, hence NIEN's representation is, in effect, a representation about the UR's approach to calibrating the TMR - see below
63	Chapter 13 - Financial Aspects	DD Response, Chapter 2 - key messages, para 4.15	Inflation adjustment mechanism	The proposed inflation adjustment mechanism poses a significant risk to NIEN's credit rating, funding capacity, investability and its cost of capital	NIEN's concerns about the inflation adjustment mechanism - which is also a feature of the GD23 price control - related primarily to the different allocation of inflation risk that there would be in NI and GB. Subsequent to NIEN's response, Ofgem has proposed a new allocation of inflation risk for RII0-3 which bears a good degree of similarity to the UR's proposed framework. As such, NIEN's main objection falls away.
64	Chapter 13 - Financial Aspects	Chapter 2 - key messages, para 4.16	Financeability - equity financing / dividend forebearance	The UR's financeability assessment is improved by artificially low gearing assumptions which are not consistent with an efficient capital structure	The UR does not agree that its RP7 gearing assumptions are "artificially low". The UR assumes that NIEN starts with the same 45% debt-to-RAB ratio that the Competition Commission assumed for RP5 and which the UR then carried over through RP6. The UR's modelling then provides for NIEN's gearing to increase as a result of new investment and associated borrowing. The UR would characterise NIEN's proposed notional 60% starting gearing, from the outset of RP7, as "artificially high" given this history and the financing requirements that NIEN faces in the coming years.
65	Chapter 13 - Financial Aspects	Chapter 13 - WACC and financeability, paras 1.15 and 3.9	Inflation adjustment mechanism	The proposed mechanism would create inflation risk to NIEN's parent company due to inflation derivatives entered into almost 20 years ago	The UR considers that any choices made by parties other than the licensee sit outside the boundaries of economic regulation.
66	Chapter 13 - Financial Aspects	Chapter 13 - WACC and financeability, para 3.8	Inflation adjustment mechanism	The proposed mechanism would put the regime in NI on a significantly different footing to other regulatory regimes in GB, harming NIEN's investability.	See above
67	Chapter 13 - Financial Aspects	Chapter 13 - WACC and financeability, para 1.17	Gearing	A 55% debt/equity ratio is not an efficient capital structure. A 60% ratio is in line with NIEN's target gearing, in line with GB networks' actual gearing, consistent with regulatory precedent and supported by guidance from rating agencies.	The 55% gearing ratio is based on the notional 45% "exit level" of gearing at the end of RP6, combined with assumptions about prudent additional borrowing in RP7. Insofar as NIEN would face heightened financeability issues at gearing of 60%, the UR does not agree that a 55% debt-to-RAB ratio is "inefficient" and a higher debt-to-RAB ratio is "efficient".
68	Chapter 13 - Financial Aspects	Chapter 13 - WACC and financeability, paras 5.3-5.4	Risk-free rate	There is a minor technical mistake in the text of the DD where the UR states that it would use data from 30 September 2023 as the baseline for the risk-free rate adjustment mechanism, when it ought to use data from the month of September 2023	The UR agrees that the baseline for the risk-free adjustment mechanism should be based on the full month of data that feeds into the FD risk-free rate calculation.
69	Chapter 13 - Financial Aspects	Frontier Economics report, paras 5.13-5.14	Risk-free rate	The UR should convert estimates of the risk-free rate to a real CPIH terms equivalent using long-term inflation forecasts, including a long-term CPIH inflation forecast of 2% per annum	The UR considers that its calculation of the risk-free rate should reflect the actual forward-looking inflation expectations that are factored into yields at the point when the UR takes its reading from the gilt market.
70	Chapter 13 - Financial Aspects	Chapter 13 - WACC and financeability, paras 1.18, 6.4-6.6	TMR	The TMR is not reflective of the current higher interest rate environment. The UR's figure of 6.5% is based on regulatory precedent from a period in time when regulators consciously squeezed their TMR estimates down in response to low interest rate conditions. Now that interest rates have moved higher, the TMR should also move higher.	The UKRN's cost of capital guidance states that regulators should set the TMR in line with estimates of the average returns that investors have historically taken from stock market investments. The UR's approach to RP6 price controls, at a time when interest rates were below their long-term average, was in line with this guidance. The UR considers that it is appropriate to take a consistent approach over time.
71	Chapter 13 - Financial Aspects	Chapter 13 - WACC and financeability, paras 6.7-6.8	TMR	Historical stock market returns calculated using a basket of estimation methods were in the range 6.6% to 7.2%.	The level of historical returns has been the subject of considerable research, and the UR has not sought to develop its own proprietary take on this matter. The UR's TMR of 6.75% instead matches the mid-point of Ofgem's RII0-3 TMR range. The UR notes that this point estimate sits within NIEN's proposed range.
72	Chapter 13 - Financial Aspects	Frontier Economics report, paras 7.54-7.55	Beta	It is plausible that there are significant future risks that may not be fully reflected in historical beta estimates. Given this, it is appropriate to use a point estimate for beta at the very top of Frontier Economics' proposed 0.32-0.36 range.	It is not possible to discern what risks are or are not reflected in historical beta values. In any case, the UR's asset beta of 0.35 is in the upper half of NIEN's proposed range.
73	Chapter 13 - Financial Aspects	Chapter 2 - key messages, para 4.14	Beta	The UR's return on equity does not contain an uplift to allow for the cashflow volatility arising from the proposed inflation cost of debt adjustment mechanism	The beta measures the systematic risk that investors face. Cashflow volatility is not a systematic risk. In any case, the UR's FD provides for an end-of-period true-up to avoid in-period variation in NIEN's revenues.
74	Chapter 13 - Financial Aspects	Chapter 2 - key messages, para 4.14; Chapter 13 - WACC and financeability, paras 1.19, 8.1-8.6	Additional debt costs	The UR's allowance is not reflective of actual costs or regulatory precedents. NIEN will incur additional costs in respect of the cost of carrying and CPIH basis risk mitigation.	NIEN has confirmed to the UR that NIEN is not exposed, as licensee, to RPI-CPIH basis risk. As such, regulatory precedent is not relevant to NIEN's specific circumstances. NIEN's representations on the cost of carry allowance are addressed in the main body of the FD document.
75	Chapter 13 - Financial Aspects	Chapter 13 - WACC and financeability, para 9.3	Ratio of embedded to new debt	The weights for embedded debt and new debt should be updated at FD based on the allowances in the FD	The UR has updated the weights for embedded debt and new debt to align to its FD financial model.

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Number	FD Chapter / Annex	Response Reference / Paragraph	High Level Topic	Comments	UR Response
76	Chapter 13 - Financial Aspects	Frontier Economics report, paras 5.9-5.12	Cost of debt - nominal-real conversion	The UR should convert the nominal cost of debt to a real terms equivalent using a long-term forecast of 2% per annum CPIH inflation rather than a five-year inflation forecast	The UR's established policy is to convert nominal interest costs to real equivalents in line with expected inflation over a control period. The intent is that the combination of the real return and RAB indexation will exactly match the estimated cost of debt.
77	Chapter 13 - Financial Aspects	Chapter 13 - WACC and financeability, para 2.4	Financeability	A critical element of financeability and investability is that NIEN retains its stand-alone a- credit rating	The UR has factored a stand-alone a- credit rating into its FD financeability analysis.
78	Chapter 13 - Financial Aspects	Chapter 13 - WACC and financeability, para 2.11-2.12	Financeability	The UR's financeability assessment does not take account of the proposed inflation adjustment mechanism	The UR does not consider that the inflation adjustment mechanism has any material impact on NIEN's ability to raise new debt finance.
79	Chapter 13 - Financial Aspects	Chapter 2 - key messages, para 4.14; Chapter 13 - WACC and financeability, para 2.13-2.23	Financeability	The UR's financeability assessment does not take account of downside risks	The UR does not consider that sensitivity analysis provides additional relevant insights. If NIEN encounters negative shocks during the RP7 period, its financial ratios will inevitably become weaker and its credit quality may come under pressure. The UR's position is that this may necessitate NIEN showing dividend forbearance and/or using equity to stabilise the business's finances.
80	Chapter 13 - Financial Aspects	Chapter 2 - key messages, para 4.14	Financeability	The UR's modelling of gearing/dividends is inconsistent with GB regulators' approach	The UR does not agree with NIEN's reading of other regulators' work. The UR's modelling of borrowing is consistent with the way in which an efficient licensee would finance its RP7 investment programme. The assumed x% per annum dividend yield is consistent with assumptions made recently by Ofwat [and Ofgem] during periods of high capital investment.
81	Annex F	Pensions	Pensions	<p>NIE Networks has noted in the consultation response (and also in queries submitted to the UR) that they have updated the Pension Deficit Allowance request based on the Pension BPT and the latest inflation indices.</p> <p>We note NIE Networks states in the consultation response that NIE Networks ceased making pension deficit recovery payments on 30 September 2023, which "generated an over recovery of pension entitlement allowances for the 2022/23 to 2024/25 periods as the pension deficit recovery allowances granted were greater than actual/forecast payments made by NIE Networks during that period." NIE Networks "proposes to refund this over recovery in the first year of the RP7 period," and have requested that the UR updates the allowances in the Final Determination, based on the updated calculations derived from the latest inflation indices, from £19.8 million to £15.8 million (Distribution) and £6.1 million to £4.7 million (Transmission).</p>	<p>We considered NIE Networks' response in the consultation, and other thoughts submitted on the topic. We noted that NIE Networks submitted a query to the UR in January 2024, asking the UR to confirm the calculation of the adjustment within their submitted calculation of the adjustment. We stated that ultimately it was up to NIE Networks to confirm the basis of calculations of adjustments, and provide the UR with further information if they believed they were incorrect.</p> <p>NIE Networks have not provided any further information or statement they believe the calculations are incorrect, and therefore we are content to accept the NIE Networks proposed update to the allowances, and reflect this in the Final Determination.</p>
82	Annex F	Pensions	Pensions	<p>In the Draft Determination, the UR commented that no amount had been requested for ERDC's in RP7, and that this proposed approach was not deemed unreasonable.</p> <p>NIE Networks has noted in their consultation response that the UR commentary "suggests that the ERDC allocation should be retained in its current format." NIE Networks also states that they are "satisfied that the disallowance has been addressed in full, prior to the end of RP6. There is therefore no need to even consider the ERDC mechanism for RP7 because the historic unfunded ERDCs have now been fully funded before the end of RP6."</p>	<p>We noted in the Draft Determination that no amount had been requested relating to ERDCs for the RP7 period.</p> <p>In the NIE BPT Pensions Reporting Workbook, the balance of 'residual unfunded ERDCs: Closing Balance' was £41,637,000 in 2013, and has reduced steadily over the years, falling to £525,000 in 2023, and -£5,393,000 in 2024.</p> <p>We are satisfied to therefore remove the references to retaining the ERDC framework in the Final Determination.</p>
83	Annex F	Pensions	Pensions	<p>NIE Networks, in their consultation response, has noted the UR comments concerning the high level of NIEPS administration expense costs compared to similar sized schemes (1,000-5,000 members). NIE Networks also comments that it is difficult to compare scheme specific expenses and published surveys due to the range of factors that may be included. "It is not clear to NIE Networks how this analysis has been carried out for the DD. NIE Networks remains committed to monitoring scheme expenses and will engage with the Trustees as appropriate."</p>	<p>We recognise NIE Networks' comments that they remain committed to monitoring scheme expenses.</p> <p>We also note NIE Networks' comments on the relevant UR analysis in the Draft Determination. More detail is outlined on this below:</p> <p>This assessment was included in the Draft Determination after GAD had benchmarked the average annual level of expenses incurred by the NIEPS between 2018 and 2022 with data published by the Pensions Regulator in 2014 (where it was noted that NIEPS expense costs were significantly higher than the average 'large scheme' expense costs), and the KGC Administration survey (which looks at administration services only, where NIEPS expenses costs were higher than the sample data for schemes of similar size).</p> <p>We noted that this was a high level exercise, that required some simplifications, but one that was useful in understanding differences between the NIEPS and other schemes. We believe this partially aligns with NIE Networks' comments in the consultation response. We will retain the action for the UR to engage further with NIE Networks to understand the reasons why NIEPS expense costs. NIE Networks can outline further thoughts on our analysis during this engagement.</p>

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84	Annex F	Pensions	Pensions	<p>NIE Networks noted that in the Draft Determination, the Authority referenced 70% and 110% as downward and upward threshold triggering events, which is different to the threshold included within the RP6 FD (75% and 105%).</p> <p>NIE Networks has also stated that retaining the Pensions Monitoring Framework is "not appropriate."</p> <p>They have highlighted the new DB Funding Regulations, which, under the Scheme's significantly mature status, would require NIE Networks "to ensure that any deficit is addressed within a very short timeframe given the scheme's significantly mature status."</p> <p>NIE Networks says that this means they may have to "fund new deficit contributions of up to c.£300 million several years in advance of receiving regulatory allowances. This is a very significant amount for the company to have to fund," and any deficit repair contributions funded in advance of regulatory allowances would be payable in the first year of RP8 – "creating an issue of intergenerational fairness between RP7 and RP8 consumers."</p> <p>NIE Networks outlines that the scheme liabilities at the last triennial valuation were over £1.2 billion, and therefore under the existing Monitoring Framework, a deficit of around £300 million would need to arise before the 75% lower threshold is reached, which would trigger NIE Networks engaging with the UR to review allowances. NIE Networks thinks the likelihood of a deficit being this high is "extremely low given the de-risking and hedging strategies that are in place in the scheme."</p> <p>NIE Networks comments "This effectively means that under the new DB Funding Regulations, and depending on how the funding position of the scheme evolves at future actuarial valuations, NIE Networks may have to find new deficit contributions of up to c.£300 million several years in advance of receiving regulatory allowances. This is a very significant amount for the company to have to fund."</p>	<p>We note NIE Networks think that the new funding code would be restrictive, however, we would maintain that there would be some flexibility in the regulations for NIE Networks and NIEPS to agree an appropriate valuation result and recovery plan period.</p> <p>We will update the funding thresholds to be in line with the amounts given in the RP6 FD. However, we have decided to not otherwise change the re-opener thresholds at this time. Even if the threshold was modified in the direction suggested by NIE Networks and the NIEPS (with the downward trigger increased), we consider that it would be unlikely to be triggered during the RP7 period. We are cognisant of the fact that there are other mechanisms through which NIE Networks can, during the RP7 timescale, engage with the Utility Regulator on the issue if it becomes a materiality for the company.</p> <p>We also note that the 31 March 2023 funding update reflects that the Scheme funding level may have a small surplus, further reducing the concern about material deficits emerging.</p> <p>We are aware that Ofgem's current approach is to allow for a triennial recalibration of pension allowances following each actuarial valuation. Ofgem is currently consulting on whether to review this policy. We will await the outcome of this review and take this into consideration, and are open to review our own policy further depending on the outcome of Ofgem's approach.</p> <p>Any future review would not be specific to the NIE Networks position but would have to consider the principles for the other NI regulated energy businesses. We will need to be consider, in any future direction that there may be a need for a variation between NI and GB regulation to reflect differences in market size, customer response, interconnection with other markets etc although we are conscious that other matters which are explicitly concerned with regulatory principles should be consistent where practicable.</p>
85	Annex O	Chapter 7 para 2.11	Market Operations	<p>NIE Networks considers that the UR's reliance on the company's historic RP6 costs is incorrect and results in the setting of allowances which are insufficient for the company to perform its activities in RP7.</p>	<p>We remain of the view that reported historic costs over the long term, for the established metering market operations programmes, provide the most appropriate basis to set future allowances. However, we have made specific adjustments to RP6 outturn costs in setting allowances for RP7 such as increasing meter reading allowances in line with forecast customer base growth, accepted NIE Networks' forecast direct activity increase when setting metering services indirect costs allowances and allowed new LCT related metering categories.</p>
86	Annex O	Chapter 7 para 3.15	Market Operations	<p>The UR's rejection of additional Low Carbon Technology (LCT) unit cost categories for metering services negatively impacts NIE Networks' customer service and obligations related to NI energy transformation ambitions;</p>	<p>Following engagement on the procedures and obligations imposed on NIE Networks' by the retail market we have allowed these requested additional three LCT related metering categories for the final determination.</p>
87	Annex O	Chapter 7 para 4.10	Market Operations	<p>NIE Networks requests that in its Final Determination the UR takes the company's actual competitively procured material cost increases into account in its direct cost allowances for metering services in RP7.</p>	<p>As detailed in Annex O, we assessed the impact of the new material costs from the recent procurement to be a 1.4% increase. It is our view that this increase should not be considered as exceptional and that it should warrant consideration beyond the existing price control adjustments for real price effects. We have therefore disallowed the cost changes due to the new meter procurement contracts.</p>
88	Annex O	Chapter 7 para 5.9	Market Operations	<p>NIE Networks requests that the UR consider its statutory duties to consumers and environmental goals when making in its Final Determination and sets NIE Networks' allowance for meter reading costs by adopting a bottom-up approach and using 2021/22 costs as the baseline.</p>	<p>Meter reading is an established programme and NIE Networks' related obligations have remained unchanged throughout RP6 and no change is to be accounted for in RP7. Therefore, we have used the full RP6 outturn costs to set the allowance. We have however included an adjustment to account for forecast increase in customer base.</p>
89	Annex P	Chapter 4 para 8.13	Direct Network Investment	<p>NIE Networks is content to follow the UR's approach of addressing the upgrading of single-phase to three-phase cut-outs.</p>	<p>We welcome this feedback as the cost benefit of upgrading single-phase cut-outs to three-phase has not been established.</p>
90	Annex P	Chapter 4 para 8.13	Direct Network Investment	<p>The UR has accepted that three-phase cut-outs are required and that they have not previously been carried out as part of D11a. This means the run rate is not reflective of this type of work and therefore a new proposed unit cost should be accepted for this new workstream. As a result, NIE Networks has calculated a new unit cost for this work based on contract prices and based on the proportion of single-phase to three-phase cut outs on the network, and updated the appropriate volume split across D11a and D11b.</p>	<p>We have accepted the new three-phase cut-out replacements programme and proposed unit rate.</p>
91	Annex P	Chapter 4 para 8.13	Direct Network Investment	<p>NIE Networks has no objection to the UR's proposal to identify condition driven and LCT-driven replacements but suggests that the same approach should be taken with each of them insofar as concerns identifying appropriate unit rates for single and three-phase cut-outs.</p>	<p>Separate condition based and LCT driven replacement programmes have been provided for both single and three-phase cut-outs.</p>

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Number	FD Chapter / Annex	Response Reference / Paragraph	High Level Topic	Comments	UR Response
92	Annex S and Annex P	Chapter 12 para 9.18	Price Control Design	NIE Networks reiterates its view that Non-recoverable Alterations (NRA) costs should be funded through a pass-through mechanism. Such a mechanism is the right tool to address the uncertainty and likely increase in overall costs stemming from NIE Networks' proposed change of policy in respect of alterations, as well as the general dependency of NRA costs on customer activity. If contrary to our view, the UR is not minded to adopt a pass-through mechanism, it should instead adjust the ex-ante allowance to cover in full the forecast NRA costs including costs associated with the change in policy on line routes. This must be made subject to a mid-period reopener at which outturn costs would be assessed (both as regards volumes and unit costs) and a determination made in respect of the remainder of the price control period.	<p>We remain of the view that this works programme is not suitable to be treated as pass-through for the following reasons:</p> <p>a) It would remove the company's incentive to keep costs to a minimum.</p> <p>b) It would remove the company's incentive to keep activity to a minimum i.e. ensuring alterations are only carried when technically necessary.</p> <p>c) It would be difficult to scrutinise costs to ensure they accurately reflect actual works carried out under this programme, given the range of activities that could be undertaken which are similar to other works carried out under other programmes. In contrast, the costs incurred in other areas being treated as pass-through, such as business rates and licence fees, can be directly and simply evidenced by the bill provided by the charging party.</p> <p>However, we have increased the non-recoverable alterations allowance provided in the draft determination, which was based on RP6 outturn data, by £5.4M to reflect the change in approach. This will not be subject to a mid-term review as this reduces the incentive on the company to control costs and activity.</p>
93	Annex U	Chapter 14 Paragraph 1.3	Consumer Measures	NIE Networks considered that appropriate time is required to gather enough information on the proposed new consumer measures set out in the draft determination (Annex U Table 1 Summary of proposed Customer Measures) to establish baseline performance.	<p>We note NIE Networks position and recognise the importance of collecting sufficient data to understand the baseline performance.</p> <p>We consider that our approach detailed in Chapter 5 of Final Determination Annex U: Consumer Measures and Consumer Engagement addresses this point. Those measures discussed require more work including to develop and finalise the measure definitions and the approach to data collection, and to establish the associated targets.</p> <p>It is important to highlight that we require targets to be set to apply from the start of Year 2 or in the case of Time to Quote (TTQ) and Time to Connect (TTC) set to apply from the start of Year 3.</p>
94	Annex U	Chapter 14 Paragraph 1.4	Consumer Measures	NIE Networks explained that RIIO-ED2 is not an appropriate comparator for RP7 customer satisfaction targets. They stated that the proposed target of 8.2 that aligns to RIIO-ED1 is an appropriate comparator given that it represents a benchmark target for customer satisfaction prior to incentives being introduced for GB DNOs.	<p>We note NIE Networks position.</p> <p>We consider that the draft determination target score of 8.2 remains appropriate for Year 1. This helps to set out our minimum expectations in this area as a starting point for RP7. However, it is important to set out our expectations for improvement over the price control period. CEAP will also assess and challenge performance annually throughout the price control period.</p>
95	Annex W	Chapter 6 - Summary	IT Opex	The UR has reduced the allowances requested by NIE Networks for costs incurred in respect of the Enduring Solution relating to: (i) market entry; and (ii) staff costs required for ES functional areas during RP7.	As demonstrated in Annex W, UR are content with the additional evidence provided in NIE Networks response to our draft determination and have now provided the requested allowance for market entry and staff costs in relation to the Enduring Solution.
96	Annex W, Annex X	Chapter 6 - Summary	IT - 99 projects	The UR has indicated in the DD that it is minded not to allow or only to partially allow expenditure for particular projects which NIE Networks proposes to commence in the RP6 Extension year and the first two years of RP7, and that further consideration and evidence is required for certain projects in this period;	As detailed in Annex W, our final determination has now provided all of the IT projects for years 1 and 2 (Phase 1) of RP7 requested by NIE Networks, with the exception of PRG01. In relation to PRG01, we have increased our allowance from £1,416,459 in the draft determination to £2,696,958 for Phase 1 in the final determination. Our consultant's and us are still of the view that 30 to 50% of the PMO and Functional Analysts (3 proposed FTEs) proposed by NIE Networks could be remote or offshore resources. This relates to a total reduction of £135,960 over the duration of Phase 1.

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Number	FD Chapter / Annex	Response Reference / Paragraph	High Level Topic	Comments	UR Response
1	Chapter 13 - Financial Aspects	Section 5.1	Cut-off date	The UR should use the latest available market information in its FD	The UR has used a cut-off date of August 2024 for the FD.
2	Chapter 13 - Financial Aspects	Section 5.2	Risk-free rate	AAA-rated corporate bonds are not a good proxy for the risk-free rate. The UR should align with the UKRN guidance and use only index-linked gilts to estimate the risk-free rate of return.	The UKRN guidance provides that regulators should cross-check index-linked gilts to other proxies for the risk-free rate. Other risk-free rate estimates currently sit a non-trivial distance away from index-linked gilt yields. The UR's resulting 'basket' approach is therefore compatible with the UKRN guidance.
3	Chapter 13 - Financial Aspects	Section 5.3	Beta	The UR should consider the effect that COVID had on regulated utilities' betas. Weighting COVID-period and non-COVID-period data in an appropriate way might reduce the UR's proposed estimate of the asset beta by 0.05.	CCNI's representations on beta are addressed in the main body of the FD document.
4	Uncertainty Mechanisms		Secondary Network Reinforcement	NIE Networks and the UR have provided little evidence to justify the unit costs proposed	The unit rates in the secondary networks mechanism reflect historical costs and the assessment of these rates is described in detail in the Annexes P and R. For the final determination, we have undertaken a major review of the volume driven approach and the unit costs required. We have applied a cap on the volume driven allowance to control overall expenditure.
5	Chapter 8 - Innovation and Incentives	Section 1.1	Reliability Incentive	Since its introduction, it [reliability incentive] has led to very significant improvements in performance from NIE Networks. Therefore, we strongly agree with retaining both planned and unplanned CML.	We agree with this and have retained incentives for both metrics in RP7.
6	Chapter 8 - Innovation and Incentives	Section 1.1	Reliability Incentive	While NIE Networks has significantly improved performance since the introduction of CML, the unadjusted data suggests that it might continue to lag behind that of Distribution Network Operators (DNOs) in GB, including compared to DNOs which have a high proportion of overhead lines like National Grid Electricity Distribution (South Wales and South East networks).	We agree with this assessment. CCNI figures and Ofgem targets show a particular gap with respect to planned CML performance. This indicates that the focus on this metric should be maintained in RP7. We have tailored the approach to take account of NIE Networks particular circumstances. However, we would not wish to see the gap in the level of service decrease in RP7.
7	Chapter 8 - Innovation and Incentives	Section 1.1	Reliability Incentive	We disagree with the UR's proposal to reduce the weight of planned CML, from one third of the total incentive to one fifth. This will weaken the incentive for NIE Networks to minimise planned CML. We understand NIE Networks justified its request for removing planned CML from the incentive by the fact that a larger investment programme will necessarily increase planned CML. While we accept this, we note that GB DNOs face similar challenges which have not led Ofgem to weaken incentives on planned CML.	This is a fair point and the main reason as to why the metric has been retained. The decision to dilute the incentive strikes a balance between retaining an incentive and uncertainty about the impact of the larger capital programme. We do however accept that there is a strong argument for maintaining the current reward/penalty allocation.
8	Chapter 8 - Innovation and Incentives	Section 1.1	Reliability Incentive	We have heard concerns that the current design may lead to a deterioration in CML performance at the beginning of the period and that the scale of network reinforcement may necessitate consideration of qualitative measures to address the wider customer experience related to planned CML.	We do not think the issue of an early period deterioration due to a perverse incentive is a likely concern given the lagged target mechanism. Ofgem also considered this issue and stated the following: <ul style="list-style-type: none"> • We consider the risk of gaming to be low, and that the existing approach mitigates this through the application of penalties for DNOs who fail to achieve their targets for planned interruptions. • We consider that setting targets on a three-year rolling average basis (with a two-year lag) will ensure DNOs do not allow their performance to deteriorate without an associated penalty. • This approach to setting planned interruptions targets provides some flexibility for changes in work programmes that may arise from external requirements. • Where volumes of work increase due to external requirements, DNOs' targets in subsequent years will reflect this change. • Any reductions in revenue as a result of these increased work volumes will be offset by targets that are comparatively easier in later years. <p>It is however accepted that the Ofgem incentive is more material and there is a risk that the cost of meeting the target may be greater than the incentive amount. As such, it is possible that performance may deteriorate. However, we would expect a prudent operator to restrict any deterioration.</p>
9	Chapter 8 - Innovation and Incentives	Section 1.1	Reliability Incentive	We agree with the proposal to retain the value of lost load and adjust the figure to reflect inflation, in line with Ofgem's approach in R10-ED2. We note that Ofgem indicated they will undertake a review of the value of lost load. We would expect the UR to consider the results of this review once they are available.	In the draft determination we used a VOLL of £18.35/kWh. This was based on the RP6 figure after uplifting for inflation. At the end of September 2023 the Single Electricity Market Committee (SEMC) published an information paper detailing updated VOLL figures for use in the SEM. Based on consumer surveys carried out in early 2022 relating to specific interruption parameters, the Regulatory Authorities calculated a VOLL of €16,464/MWh. This translates to a value of £14.03/kWh using 2022 exchange rates. The research also shows that the highest average amounts that domestic bill payers are willing to pay to avoid an interruption in Northern Ireland is £15.36. In the final determination we are adopting the overall VOLL updated figure of £14.03/kWh as opposed to the RP6 figure updated for inflation.
10	Chapter 8 - Innovation and Incentives	Section 1.2	Worst Served Customers	UR has missed an opportunity to deliver improvements for "worst served" customers	During further engagement with NIE Networks, a range of network interventions has been identified and have been shown to be outside of the business as usual works for overhead lines. We have, therefore, revised our approach and determined an allowance of £3m with the output of reducing WSCs by 50% during RP7.

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Number	FD Chapter / Annex	Response Reference / Paragraph	High Level Topic	Comments	UR Response
11	Chapter 9 Consumer Measures and Consumer Engagement Annex U	Section 3 (3.1)	Consumer Measures	The Consumer Council encouraged UR to propose stretching but realistic targets from year 1 of RP7.	<p>We note and agree that targets must be stretching and realistic, and where possible that they apply from Year 1.</p> <p>The final determination details the consumer measures with targets set to apply from Year 1. We consider it reasonable that these targets can be set for Year 1 as there is appropriate historical NIE Networks data to establish a baseline. We also consider it appropriate to retain the draft determination target score of 8.2 for the customer satisfaction survey for Year 1. This helps to set out our minimum expectations in this area as a starting point for RP7. We expect improvement to the score over the price control period for this measure. Our approach is discussed in more detail in Chapter 4 of Annex U: Consumer Measures and Consumer Engagement.</p> <p>There were limitations on the historical data available for the remaining measures which reduced our ability to set out reliable targets to apply from the start of Year 1. For these measures NIE Networks will collect the relevant data for each measure and report this to UR and CEAP so that targets can be set to apply from Year 2 or Year 3. This is discussed in Chapter 5 of Annex U.</p>
12	Chapter 9 Consumer Measures and Consumer Engagement Annex U	Section 3 (3.1)	Consumer Measures	The Consumer Council broadly agreed with UR's proposed consumer measures.	<p>We welcome the broad support from the Consumer Council on the consumer measures detailed in the draft determination.</p> <p>We have retained all 14 consumer measures in the final determination. We consider that the package of consumer measures creates a framework that will help to protect consumers and improve the quality of service consumers receive throughout the price control period.</p>
13	Chapter 9 Consumer Measures and Consumer Engagement Annex U	Section 3 (3.1)	Consumer Engagement	The Consumer Council supported UR's proposed approach of developing consumer measures and targets through collaboration with the CEAP.	<p>We welcome the Consumer Council's recognition of the important role of CEAP.</p> <p>CEAP will play a role in developing the consumer measures and associated targets. However, we consider it appropriate that the final decision on targets is made by UR.</p> <p>Chapter 6 of Annex U provides more detail on the role of CEAP.</p>
14	Chapter 9 Consumer Measures and Consumer Engagement Annex U	Section 3 (3.1)	Consumer Measures	The Consumer Council commented that UR should aim to have targets in place from year one of RP7 or set out a process for determining these targets which is clearly articulated in the final determination.	<p>We note the Consumer Council's position and recognise the importance of detailing a process to set targets.</p> <p>Chapter 4 and 5 of Annex U discusses the consumer measures with targets set to apply from Year 1 (Chapter 4). As per the Consumer Council's comment, for those consumer measures which do not have a target for Year 1, we have clearly articulated the processes for determining those targets (Chapter 5). This includes key milestones and associated timelines.</p>
15	Chapter 9 Consumer Measures and Consumer Engagement Annex U	Section 3 (3.2)	Consumer Measures	<p>The Consumer Council supported our draft determination proposal for NIE Networks to gain the ISO accreditation (BS ISO 22458 on Consumer Vulnerability).</p> <p>However, the Consumer Council explained it was concerned that a target to obtain certification by the end of RP7 could delay efforts to bring NIE Networks up to the standard of the proposed ISO certification. The Consumer Council recommended NIE Networks should be required to demonstrate a clear programme of work to achieve the accreditation and to regularly report on its progress.</p>	<p>We welcome the Consumer Council's support for the measure.</p> <p>Taking account of stakeholder feedback and support for the measure, we have retained the BS ISO 22458 on Consumer Vulnerability - the design and delivery of inclusive services – for RP7.</p> <p>We also require NIE Networks to seek accreditation in Year 1, with attainment within 6 months of the start of Year 2 at the latest.</p> <p>We consider that our decision addresses the Consumer Council's concerns, and we note the role that CEAP will play by reviewing NIE Networks performance each calendar year against all measures.</p>
16	Chapter 9 Consumer Measures and Consumer Engagement Annex U	Section 3 (3.2)	Consumer Measures	The Consumer Council encouraged UR to seize the opportunity to develop a shared customer care register across gas, electricity and water, with NIE Networks leading on this process.	<p>We note the Consumer Council's view and its support for a shared customer care register across the gas, electricity and water regulated industries.</p> <p>This has been an important area of focus for UR. We are progressing the development of a shared customer care register separately outside of RP7 as part of our Best Practice Framework. An information paper related to this work will be published in the coming months.</p>
17	Chapter 9 Consumer Measures and Consumer Engagement Annex U	Section 3 (3.2)	Consumer Measures	The Consumer Council commented that UR could go further to encourage NIE Networks to increase support for vulnerable consumers by introducing a benchmarked target to increase awareness of the customer care register and a customer satisfaction survey specific to the quality of service provided to customers on the care register.	<p>We welcome the Consumer Council's focus on consumers in vulnerable circumstances.</p> <p>We consider that our new mandatory Code of Practice (CoP) for Consumers in Vulnerable Circumstances adequately requires NIE Networks to support consumers in vulnerable circumstances without the need to incorporate these specific suggestions into RP7. We provide more detail below.</p> <p>Our new CoP contains requirements related to the awareness of customer care registers along with a wider range of measures to protect those in vulnerable circumstances.</p> <p>Our new CoP also contains a requirement for companies to conduct research and engagement with consumers in vulnerable circumstances including those on customer care registers. We consider it reasonable that satisfaction surveys could be part of this required research undertaken by companies.</p>
18	Chapter 9 Consumer Measures and Consumer Engagement Annex U	Section 3 (3.1)	Consumer Measures	The Consumer Council expressed the view that UR could use the data collected by NIE Networks and NI Water to set a target for the Net Promoter Score for Year 1, which could then be re-adjusted considering data collected during the first year of the price control.	<p>We note the Consumer Council's proposal and welcome its insight on the Net Promoter score (NPS) measure.</p> <p>We discuss this measure in Chapter 5, Paragraph 5.15 to 5.17 of Annex U. In summary, we consider it appropriate to require a target to be set to apply from the start of Year 2. This is aligned with our overarching approach to target setting where there are limitations with the existing available data to UR.</p>

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19	Chapter 9 Consumer Measures and Consumer Engagement Annex U	Section 3 (3.1)	Consumer Measures	The Consumer Council suggested introducing a target for First Point of Contact Resolution (FPOCR) aligned to the NI Water PC21 target of 84%.	We note the Consumer Council's proposal and welcome its insight on the FPOCR measure. We discuss this measure in Chapter 5, Paragraph 5.18 to 5.20 of Annex U. After considering setting a target of 84% we have decided against this specific target. However, we have retained the measure and recognise the importance of setting a target. We set out our requirement in the final determination for a target to be established to apply from the start of Year 2. CEAP will play a key role in developing this measure and target.
20	Chapter 9 Consumer Measures and Consumer Engagement Annex U	Section 3 (3.1)	Consumer Measures	The Consumer Council recommended setting the target for the customer satisfaction survey at 9.01/10 so this is in line with RIIO-ED2.	We note the Consumer Council's recommendation. We consider that the draft determination target score of 8.2 remains appropriate for Year 1. As NIE Networks are improving their data collection method by moving to an external provider to carry out future satisfaction surveys rather than using internal staff. This new approach means that there is a reduced risk of bias and will establish a more reliable baseline to set out a stretching and realistic glide path for improved performance. However, we consider that the Year 1 target (8.2) helps to set out our minimum expectations in this area as a starting point for RP7. We do recognise the need for continuous improvement to customer satisfaction scores and expect improvement over the price control period. We also note that CEAP will assess and challenge performance annually throughout RP7 which provides the opportunity to consider higher target scores after Year 1.
21	Chapter 9 Consumer Measures and Consumer Engagement Annex U	Section 3 (3.1)	Consumer Measures	The Consumer Council agreed with our draft determination position on Communication Channels. However, the Consumer Council did state that voice calls remain a vital service for many consumers.	We welcome that the Consumer Council agreed with our draft determination position. We consider that the draft determination position remains appropriate. We have retained the measure and require NIE Networks to collect and report on the same data detailed in RIIO-ED2. We also agree that telephone contact channels are important to consumers. We have retained the consumer measures and associated targets for NIE Networks call handling function. We discuss this in Chapter 4, Paragraph 4.14 to 4.19 of Annex U.
22	Chapter 9 Consumer Measures and Consumer Engagement Annex U	Section 3 (3.1)	Consumer Measures	The Consumer Council suggested setting targets for time to connect and time to quote, using historical data from NIE Networks and that performance is benchmarked against GB performance.	We note the Consumer Council's recommendation. While no targets have been set out to apply from Year 1, we do require targets to be set to apply from Year 3. NIE Networks explained to UR that to support collecting the data to establish performance comparable to GB DNO they need sufficient time to collect adequate data. We also note the role of CEAP and that it will help to develop these measures including developing clear definitions, the approach to data collection and target setting.
23	Chapter 9 Consumer Measures and Consumer Engagement Annex U	Section 3 (3.1)	Consumer Measures	The Consumer Council recommended that dates or milestones are confirmed in the final determination for the Customer Satisfaction Surveys related to Enhancing Connection Services & Supporting Competition in Connections and Supporting Customers with Energy Transition. The Consumer Council also welcomed and supported further engagement on these measures through CEAP.	We note the Consumer Council's view and recognise the importance of outlining the process to develop these measures and to set targets. We also welcome the Consumer Council's support for the role of CEAP. The final determination sets out our position, that for these measures we require targets to be set to apply from the start of Year 2. Chapter 5 of Annex U discusses these consumer measures in more detail including the key milestones and associated timelines.
24	Chapter 9 Consumer Measures and Consumer Engagement Annex U	Section 3 (3.3)	Consumer Measures	The Consumer Council encouraged UR to consider attaching financial incentives to some measures specifically customer satisfaction.	We note the Consumer Council's view. We have decided not to attach financial incentives to the customer satisfaction measure(s). We consider that this measure(s) represents established business as usual activity and therefore should not be incentivised.
25	Chapter 9 Consumer Measures and Consumer Engagement Annex U	Section 3 (3.3)	Consumer Measures	The Consumer Council also stated UR should consider introducing a reward-only incentive on customer satisfaction, with a requirement that any reward earned is allocated to supporting vulnerable customers.	We acknowledge the Consumer Council's view and focus on supporting consumers in vulnerable circumstances. We do not consider that this type of approach is required. Our new Code of Practice for Consumers in Vulnerable Circumstances ensures a regulatory consumer protection mechanism will apply from the start of RP7. Alongside this as part of RP7, we require NIE Networks to seek gain BS ISO 22458 on Consumer Vulnerability accreditation in Year 1, with attainment within 6 months of the start of Year 2 at the latest of the price control. These requirements ensure that appropriate support is available for vulnerable consumers.
26	Chapter 10 - Evaluative Performance Framework	Section 2 (2.2)	Evaluative Performance Framework	The Consumers Council raised a number of issues relating to panel independence	We feel that retaining the NIE Networks appointed panel can work well in practice and have updated the final guidance to further enhance independence.
27	Chapter 10 - Evaluative Performance Framework	Section 2 (2.3)	Evaluative Performance Framework	The Consumers Council stated the overall grade is too heavily weighted towards the ambition of the forward plan.	The forward plan is especially important in establishing the EPF and we have retained the 50:50 weighting of plan and delivery for the final determination
28	Chapter 10 - Evaluative Performance Framework	Section 2 (2.3)	Evaluative Performance Framework	The Consumers Council raised a number of points on scoring and calculation of the reward or penalty.	We have not made any changes to the scoring guidance. Scoring of both plan and delivery are likely to produce decimals to some extent. We have however proposed rounding to two decimals will apply to plan, performance and overall incentive grades.

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29	Chapter 11 - Environmental Action Plan	Section6 (6.1)	Environmental Action Plan	<p>We support NIE Networks' submission of an EAP, including its engagement with stakeholders as part of its development. We agree with NIE Networks that environmental commitments form part of consumers' expectations for networks.</p> <p>We would support the introduction of an annual environmental report. As the UR notes, in GB, it is now standard practice for network companies to report the progress made against their EAPs through an annual environmental report. Ofgem consider the annual report an "effective safeguard against the risk that a licensee does not deliver on commitments, as it is a public facing report that will be visible to stakeholders keen to see progress". The report provides a view of key activities undertaken and progress made against the commitments. It holds companies to account and provides transparency to stakeholders.</p> <p>Requiring companies to develop an EAP has encouraged them to improve their understanding of their environmental impact, identify a strategy and action plan to reduce their emissions, and provides a means to hold them to account for the progress they make. As a result, network companies have delivered significant improvements. We think there is a strong rationale to adopt a similar approach in Northern Ireland.</p>	<p>We are grateful for the response to our request for feedback on whether NIE Networks should publish an Annual Environmental Report. We have made this a requirement for RP7 in the final determination.</p>
30	Chapter 11 - Environmental Action Plan	Section6 (6.2)	Environmental Action Plan	<p>The UR suggest that NIE Networks' performance against its EAP commitments could be rewarded through the evaluative performance framework, if "they aim and evidence Best in Class in this area".</p> <p>We suggest the UR clarifies its intention regarding an assessment through the Evaluative Performance Framework, in particular:</p> <ul style="list-style-type: none"> • Whether this would be in addition to the publication of an annual environmental report or an alternative to it; and • That performance will be assessed regardless of whether NIE Networks has delivered positive or negative results. The statement that the EAP would be assessed if NIE Networks "aim and evidence Best in Class in this area" could suggest that the progress against the EAP would only be evaluated if there is a sense that NIE Networks has performed well. We do not think this would be appropriate and we invite the UR to clarify its wording. 	<p>Assessment through the EPF would be in addition to the publication of an annual environmental report. EPF assessment may be applied to any further sustainability and environmental commitments NIE Networks make during RP7 beyond its commitments already stated in its RP7 environmental action plan.</p>

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Number	Response Reference / Paragraph	High Level Topic	Comments	UR Response
1	Manufacturing NI RP7 Draft Determination Response Page 18	Non - Domestic Bills	<p>The Utility Regulator is consulting on their draft determination of the Price Control of NIE Networks (RP7). Their plan calls for a £3bn investment of consumers money into the electricity distribution network to meet local net zero targets.</p> <p>The Regulator's own assessment of the impact this will have on consumers bills is that whilst domestic consumers would see a reduction in network element of their bill, it will be left of business (particularly large energy users, the group dominated by manufacturers) to pick up the bill.</p> <p>"Just transition" appears to mean that just business will pay for it. This is completely unacceptable, counterproductive, and unfair.</p>	<p>Our assessment of the impact of the determination on consumer bills follows a methodology provided by NIE Networks which takes account of the detailed allocation of tariffs across different types of consumers.</p> <p>Larger users, connected at high voltage levels only pay costs of the network they are connected to. Therefore, their distribution network charges are a lower proportion of their total bill. Because transmission costs are increasing faster than distribution costs, large users see a proportionally greater increase in their overall bill</p>
2	Manufacturing NI RP7 Draft Determination Response Page 20	Opex Performance	<p>The 9.6% efficiency performance not only justifies the inclusion of a 50/50 sharing mechanism in RP6 but could also demonstrate that OPEX costs were significantly over-priced in the business plan which led to the final RP6 determination. It should signal that the Regulator pay significant attention to costs provided in RP7 to ensure that consumers, from the beginning, are getting best value and that no incentive is 'baked in' which would see (even when shared 50/50) consumers overpaying for these services.</p>	<p>We have updated the FD with an extra years of RIGS reporting and will also produce a cost and performance report for the full RP6 period once all years are complete.</p> <p>In terms of the opex outperformance, NIE Networks has attributed much of the success to lower than expected business rates. It is also worthwhile noting that opex allowances were adjusted downwards for the RP6 extension year to account for this outperformance (See RP6 extension licence decision, para 2.39 - 2.40).</p>
3	Manufacturing NI RP7 Draft Determination Response Page 20	Capex Performance	<p>RP6 Capex underperformance – disappointing, delay have economically harmed consumers seeking to connect. Would ask Ur to consider past performance as an indicator and protect via a mechanism. Ensure targets are met in RP7.</p>	<p>We share MNI's disappointment regarding NIE Networks' underperformance in delivering its capex outputs, however, consumers are protected by our "no double funding" deferral mechanism which means that any undelivered RP6 output will be delivered in RP7 without additional funding. We will continue to monitor the delivery of these "roll-over" outputs don completion of RP7.</p>
4	Manufacturing NI RP7 Draft Determination Response Page 21	Demand Forecast	<p>There continues to be a continuing trend of a significant difference between what NIEN (and SONI) anticipate electricity demand is and will be to what is consumed. Whilst questions are required about how these forecasts are constructed, we are concerned that future demand is used as a justification or basis for investments in the network. This could result in unnecessary investments or at best investments poorly timed.</p>	<p>We have set out our general approach in the main RP7 final determination which recognises the uncertainty of load growth and the impact this might have. The ZEV figures is in line with the GB ZEV Mandate which DfI has said it expects to adopt. The projections of heat pumps remain more uncertain. We have taken account of the risk that we do not invest at this stage during the normal cycle of NIE Networks refurbishment. We also note that significant parts of the proposed investment (for example major transmission network projects) will be subject to separate approvals and are designed to release constraints on the network and enable renewable generation. Other parts of the investment is subject to volume drivers which allows some investment to flex as load growth does, or does not materialise.</p>
5	Manufacturing NI RP7 Draft Determination Response Page 21	Demand Forecast	<p>In our view there are grandiose assumptions in RP7 on the uptake of low carbon technologies, including heat pumps, particularly for domestic consumers. Given the costs of energy and mandatory targets in the CCA for industry, we would suggest that consumption assumptions are not accurate.</p>	
6	Manufacturing NI RP7 Draft Determination Response Page 21	Severe Weather	<p>We agree that costs associated with adverse weather events should continue to be subject to the 50/50 mechanism and that there is no justification for a 44% increase in allowances for these.</p>	<p>We have retained severe weather allowances as part of the 50:50 mechanism. The allowance has however been uplifted for the latest long-term average cost following Storm Isha. The increase in RP7 reflects costs incurred in RP6 which has seen and increased number of severe storm events.</p>
7	Manufacturing NI RP7 Draft Determination Response Page 21-22	Non - Domestic Bills	<p>Without understanding the full picture of what these investments are for, it is clear from the charts presented in the Draft Determination that on the Distribution investments, c50% of these capital costs are to facilitate 'net zero'. Elsewhere in the determination the regulator assesses that only business will see the network element of bills rise because of these investments. This is unacceptable and unfair.</p>	<p>Please see the previous response on non domestic bills.</p>

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8	Manufacturing NI RP7 Draft Determination Response Page 22	Non - Domestic Bills	As a result, we do not support any of these investments as currently determined. Better, fairer balance is required between customer groups as a minimum. The regulator, simultaneously to concluding RP7 to a Final Determination, must urgently review charging mechanisms to deliver a fair and competitive outcome across all consumer groups.	Please see the previous response on non domestic bills. We note MNI response on charging mechanisms. This something that we will give further consideration to as we consider the introduction of meters (which might enable greater use of time of day tariffs and other development in tariff structures.
9	Manufacturing NI RP7 Draft Determination Response Page 22	Productivity Targets	We believe that the proposed 1% productivity improvement does not meet improvements seen elsewhere in the economy. It would be our view that the Regulator should insist on a more stretching productivity improvement by the company.	It is true that other sectors of the economy have seen greater improvements, but this does not necessarily mean that such is applicable for an electricity DNO. Our view is that the 1.0% per annum target is reasonable being at the stretch end of the spectrum and is also consistent with the target set by Ofgem and in the recent Ofwat PR24 draft determination.
10	Manufacturing NI RP7 Draft Determination Response Page 22	Non - Domestic Bills	Do non domestic account holders pay for meter service and reading of domestic and smaller commercial properties?	NIE Network tariffs are designed to be cost reflective. We will continue to keep cost reflectivity under review going forward.
11	Manufacturing NI RP7 Draft Determination Response Page 22	Innovation	Some of the proposed additional costs in this area are in our view 'business as usual' type investments. We support the Draft Determination outcomes on innovation projects and the mechanism to re-open when affordable and identifiably beneficial projects are presented.	We consider that a limited subset of the innovation cost request is BAU activity. We do however welcome the feedback on the need for a flexible re-opener mechanism when benefits can be established. This is the approach that has been adopted for the final determination.
12	Manufacturing NI RP7 Draft Determination Response Page 22	Incentives	We support the Draft Determination proposals in this area.	We agree. The reliability incentive challenge remains very similar to the targets consulted upon at draft determination.
13	Manufacturing NI RP7 Draft Determination Response Page 22-23	Consumer Measures	It should be recorded that there has been a cultural shift within the company and that this is reflected in better relationships between customer/consumer and the that this is reflected in better relationships between customer/consumer and the business. This cultural change is recognised by Manufacturing NI. More work is always required in this area by all regulated companies to move away from "the answer is no, now what is your question". We accept that this is not always easy and requires an attitudinal change not just by the leadership of utilities but right down into every aspect and interaction with the businesses.	We note MNI's comment on improved customer relationships with business consumers and the statement that more work is always required. We consider the proposed approach to Consumer Measures as detailed in the final determination of annual review and target setting will promote a culture of continuous performance improvement.
14	Manufacturing NI RP7 Draft Determination Response Page 23	Consumer Measures	MNI commented that not all customers are equal when it comes to their knowledge and experience. MNI encouraged UR to consider this when assessing the company's performance (and reward) in this area.	From an EPF perspective the Consumer Engagement and Advisory Panel (CEAP) provides a valuable and important role in representing the interests of stakeholder groups within the current price control including agreeing and reporting of key performance metrics within the current price control. While aiming to utilise the expertise of CEAP within the process, but mindful of not compromising its existing role, CEAP will discuss and provide feedback on the inputs into the NIE Networks forward plan and performance report prior to publication, providing valuable input to aid the development of the plan and ensuring alignment with stakeholder needs. Members of CEAP will be able to provide individual responses to the NIE Networks consultations. While the normal EPF processes will apply to year 1 of the price control no financial incentive will apply in this year.
17	Manufacturing NI RP7 Draft Determination Response Page 23	Network Losses	Do not find it acceptable there is a network loss of 7.4%. It is unclear what the UR is doing to ensure a more efficient outcome.	New transformer allowances have been uplifted to reflect that more efficient tier 2 eco-directive compliant transformers will be installed. Larger minimum cable diameters will be used in cable replacement works and mechanisms enable NIE Networks to install larger diameter where appropriate. NIE Networks will continue to have a revenue protection services incentive to tackle illegal electricity abstraction.

RP7 Final Determination - Annex Z - Manufacturing NI's response to the draft determination

Number	Response Reference / Paragraph	High Level Topic	Comments	UR Response
18	Manufacturing NI RP7 Draft Determination Response Page 23	Shared Assets	NIEN are not the only people to be investing in our electricity network. Consumers are also making significant investments with their own money, yet it appears these investments are added to the NIEN RAB which they make a return on. We would ask the Regulator to consider, given that private investment in this area is escalating during the push to decarbonise industry, what way consumers can be better (financially through the tariff) protected in this area.	Any costs that are socialised, NIE Networks has the ability to earn a return on them as they are depreciated. Once assets are adopted by NIE Networks they will be NIE Networks responsibility, and any charges will be complied in line with NIE Networks charging statement for example, in the case of Authorised Generators seeking a connection which shall be used wholly or mainly for export to the Distribution System the connection charge shall include an element to provide for the operation and maintenance (O&M) costs over the lifetime of the connection. Also any rebates will be done in line with The Electricity (Connection Charges) Regulations (Northern Ireland) 1992.
19	Manufacturing NI RP7 Draft Determination Response Page 23	Cost of Debt / Finance	The past couple of years have seen significant, extremely damaging, interest rate rises. Whilst the UK has yet to move, elsewhere central banks have begun reducing these rates and it is forecast that the rate at which these will drop will escalate through 2024/25. We assume that the UR will consider the most contemporary analysis of these figures before concluding a WACC for RP7.	The FD has been updated with market data in August 2024. Mechanisms are also in place to ensure that the RP7 rate of return is updated as the price control progresses.
20	Manufacturing NI RP7 Draft Determination Response Page 23	Total Revenues / D5 Projects	<p>Transmission revenues are forecast to increase by 73% driven almost exclusively by projects such as the North South Interconnector. We therefore welcome the Regulator's view that this "emphasises the need for careful consideration of these projects".</p> <p>However, whilst there is a gentle warning in the Draft Determination, there is no proposed action here to protect consumers from these costs. It has long been a frustration that there is no consumer transparency on costs of these projects (the Interconnector being a good case in point) despite efforts to seek this transparency. This therefore gives rise to consumer concerns that investments are not affordable, or required or indeed are being driven by other interests (including financial interests of the network and system operators).</p> <p>We would prefer if the UR did put some controls in place to ensure, as a minimum, transparency.</p>	<p>We have included forecast of major transmission expenditure when we have modelled consumer impact.</p> <p>All decisions on additional approvals are published on the UR website.</p>
21	Manufacturing NI RP7 Draft Determination Response Page 23	Profitability	<p>NIEN is one of Northern Ireland's most profitable businesses. It should also be noted that NIEN pass a very significant dividend back to the Irish Government each year. In the last reported year that was a 17% dividend. We already know that profitability increased by some £20m in the latest published accounts.</p> <p>Whilst not accusing of similar behaviour, we would ask that the Regulator take note of recent controversies around Thames Water who claim they didn't pay dividends, which was true, but were taking a quasi-dividend out via significant "financing charges".</p> <p>We do not see any action in the Draft Determination to ensure a fair return for the business but also for consumers.</p>	We estimate the rate of return independently of NIE Network's ownership arrangements so that the return on offer through the price control is capable of supporting any reasonable and efficient investor. While we make our assessments on a reasonable balance of debt and equity, this does not necessarily reflect or constrain the choices the company might make in respect of its own capital structure.

RP7 Final Determination - Annex Z - All other responses to the draft determination

Number	Response Reference / Paragraph	Comments	UR Response
1	A.J Watson Ltd's RP7 Draft Determination Response, p2	<p>Materials and labour costs has increased significantly over the RP6 period.</p> <p>A.J. Watson Ltd would estimate that the pricing for RP7 will increase between 35% and 40% from the original pricing at tender stage of RP6 in March 2018.</p>	<p>We are not able to provide detailed commentary on individual NIE Network contracts.</p> <p>However, it is noteworthy that the nominal increases estimated by this contractor align with the RPI increase of c.38% over the same period from March 2018 to April 2024.</p> <p>This illustrates the protection afforded to NIE Networks by virtue of adjusting allowances by general inflation.</p>
adman			
1	Adman RP7 Draft Determination Response, p5	<p>We note with disappointment, the Regulator's approach to FS and the impacts of Real Price Effects. The reality for Construction Industry supply chains is quite the opposite of that predicted and any expectations that efficiency savings over the period will or (can be) realised is questionable.</p> <p>We strongly urge that the draft determination is reviewed and updated so that NIE Networks is afforded sufficient financial resources (with a reasonable approach to Real Price Effects) to enable it to deliver on its plans.</p>	<p>We accept that there has been significant fluctuation and increases in construction and material costs throughout RP6. However, we would also note that inflation has risen sharply to afford NIE Networks revenue protection.</p> <p>Whilst forecasts will always be imperfect, we must utilise the relevant industry indices to make such predictions. This can be different from individual company circumstances. However, it largely reflects the agreed approach with Ofgem and NIE Networks own proposals.</p>
Campbell Contracts			
1	Campbell Contracts RP7 Draft Determination Response, p1	As a company we have been impacted by skilled labour shortages, rising fuel, plant/equipment and insurance costs. UR should take the above factors into account when considering RP7 price control.	We believe that the RPE analysis adequately takes these issues into account.
Centre for Advanced Sustainable Energy (CASE)			
1	CASE's RP7 Draft Determination Response	<p>CASE recognises the complexity of the task of both the network operator and the Utility Regulator. Striking the correct balance in a period of considerable flux and uncertainty within global energy markets is a challenge, especially in the context of an urgent, climate driven need to achieve a just and equitable transition away from NI's reliance of fossil-fuel derived energy sources.</p> <p>This process has also been hampered by the lack of the NI Assembly. Now on its return, the new Minister for the Economy has a focus on regional balance that may not have been as acute within previous administrations. Therefore, CASE would argue this change combined with the demands of local and global climate legislation and speed of progress on innovation in the sector necessitates for a move to a more flexible or continuous approach to the price review process. CASE believes that the consumer will be best served by such an approach and this will also benefit the growth of the emerging green economy and the improved sustainability of society's heating and transport needs. CASE understands NIE's concerns with respect to the inflationary pressure that will be brought to bear as global supply chains are stretched to meet the demands of the energy transition.</p> <p>Action: Review and amend existing legislation allowing the UR to adopt a more agile approach to price review and control processes.</p>	We note the comments made by CASE which are wider than the scope of the RP7 price control, although these issues were a key part of the considerations which has informed the overall scope and decisions in the price control. We have designed the price control to support increases in renewable generation and low carbon technology connections and the consequential load growth. Where possible, we have introduced mechanisms which allow the price control to be flexible and responsive to change.
2	CASE's RP7 Draft Determination Response	<p>It is widely recognised that our future energy will come from a variety of indigenous generation sources in conjunction with interconnectors to ensure certainty of supply. The interconnectors will also allow the ability to export power surplus to local demand. Industry increasingly recognises that there needs to be an agreed spatial plan to support the transition outlining where key infrastructure will be located and how this will bring about a balanced regional economy. The current RP process was instigated when this need for balance had not been articulated and grid planning was unduly predicated towards the east of NI. Whilst many of the demands on the operator are likely to remain unchanged it is likely that new infrastructure will be required and that this may result in a differing ask from that put forward in March 23.</p> <p>Action: Establish a task force with the remit to develop a spatial plan of key energy infrastructure prior to the end of 2024</p>	We note the comments made by CASE which are wider than the scope of the RP7 price control.

RP7 Final Determination - Annex Z - All other responses to the draft determination

Number	Response Reference / Paragraph	Comments	UR Response
3	CASE's RP7 Draft Determination Response	<p>CASE through its constant dialogue within the energy industry and developers understands their frustration with the previous inability of NIE to adequately build out ahead of need. This resulted in a degree of disillusionment within would be developers and a major block to investment in NI. We have concerns that the potential overall future demand may be significantly underestimated. Prior experience from industry of the capacity for NIE to respond with the certainty and timeframes required for obtaining investor confidence has led to concern. As such, interest in such projects has diminished and investment has flowed to opportunities in other areas of the UK and Ireland, where a more certain outcome and timeline are both available. Therefore, CASE would argue that the initial financial ask of NIE be met but contingent on NIE's ability to meet a more robust set of KPIs around developer and consumer engagement and delivery. This would result in a more efficient and speedy process, attracting investors and reducing industry costs. The adoption of socialised costs for infrastructure requirements is also a necessity where the economic, environmental, and social benefits from the new connection are shared.</p> <p>Action: A comprehensive review of the transmission infrastructure approval process in Northern Ireland is required to ensure the significant increase in projects can be progressed to delivery stage without delay, helping to ensure the achievement of 2030 targets and beyond. This review should be accompanied by the establishment of a robust set of KPIs for the operator performance to be assessed against.</p>	<p>The Utility Regulator is the last body in the approval process and, as such, can be perceived as the main delay in the process. We endeavour to process all funding applications as quickly as possible whilst ensuring costs are challenged and that governance procedures are adhered to.</p> <p>Notwithstanding the above comments, we will continue work with NIE Networks to improve the approval process and we remain conscious that investment in advance of need is at a cost to consumers.</p>
4	CASE's RP7 Draft Determination Response	<p>Innovation and its early adoption will underpin the necessary energy transition. Whilst the NIE's adoption of fast follower for its RP6 process was broadly successful it is difficult to argue that this is innovation in its truest sense. Given how NI has unique features in relation to its future energy sources within a UK context, we would argue that innovation budgets should be adequately supported but again subject to continuous review to ensure the optimum outcome for NI consumers. New projects could arrive at any time, and these should not have to wait many years before consideration. For example, the potential for localised energy islands will require a degree of novel thinking and planning to accommodate and has arisen since the initial set of business cases were developed.</p> <p>Consideration should also be given to the introduction of legislation to allow for Independent Distribution Network Operators (IDNOs). Evidence would suggest that IDNOs may be more able to supply the bespoke requirements of innovative energy projects and at a pace previously unseen with NI. The NI market has capacity for additional IDNOs and the competition to current monopolies would be an encouragement for increased performance. IDNOs have been successful in a GB context.</p> <p>Action: Explore the formulation and adoption of legislation for IDNOs to operate within NI and to support innovation with the required financial need, subject to a continuous process of review</p>	<p>It is our view that the "fast follower" approach can continue to deliver consumer benefit. Unless there are technical reasons why GB DNO trial results should not apply to NI, we see value in NIE Networks leveraging off this learning.</p> <p>That being said, the NIE Networks Innovation Strategy does seem to recognise the need to expand beyond this activity. This includes:</p> <ul style="list-style-type: none"> • Developing active research collaborations with other energy vectors and academia. • Strategic relationships with academia on energy research programmes. • Exploring the needs of new or transforming electricity users. <p>We are supportive of this expansion. We would further note that establishment of an uncapped Network Innovation Fund provides the company with significant opportunity to seek funding for new projects.</p> <p>Whilst we have no mandated an Innovation Council, NIE Networks is free to pursue this avenue if it believes that there is significant value added from such a body to shape future innovation plans. Each funded project will be subject to annual reporting and a post project evaluation. It is our intention that these results are fully published and transparent, allowing for continuous review.</p> <p>With respect to new legislation for IDNOs, this would be a matter for DfE.</p>
CBI NI			
1	CBI Northern Ireland RP7 Draft Determination Response	CBI NI members welcome that there has been good engagement between the Utility Regulator (UR) and NIE Networks and that the UR recognises the need for transformation to achieve net zero and that a solid platform exists to build on.	We welcome the CBI NI views on the level of engagement.

RP7 Final Determination - Annex Z - All other responses to the draft determination

Number	Response Reference / Paragraph	Comments	UR Response
2	CBI Northern Ireland RP7 Draft Determination Response	The need to future proof NI's electricity network to achieve our energy goals cannot be overstated. Lack of capacity on the network currently deters crucial investment in renewable generation as investors need to see a clear route to market for their projects. CBI NI Members from across different sectors have highlighted that the length of time it takes to connect to the grid is an issue. There is also a need for an overarching regulatory framework capable of supporting this transition.	<p>The time it takes to connect to the NIE Networks grid depends on the connection requirements and the state of the network, but can range from 6 weeks to 9 months for third party consents, also the planning timelines for new infrastructure, lead time of equipment and build time can mean that connection times may be extended.</p> <p>As network reinforcement and RP7 build out evolves, we would expect NIE Networks to develop more suitable timescales and providing that certainty around faster connection times. We will continue to work with NIE Networks and industry to develop a connections process that is fit for purpose in terms of enabling access to the network in an efficient manner and facilitating connections to achieve 80% by 2030 and the electrification of heat and transport.</p>
3	CBI Northern Ireland RP7 Draft Determination Response	The private sector will be key to unlocking the volume of innovation and investment required to deliver net zero and a low carbon energy system, and this must be done with the support and collaboration of government and Utility Regulator.	We agree with this sentiment. Whilst we only have a remit to fund NIE Networks, we are supportive of collaboration with academia and industry. We would also encourage match-funding applications as this is a strong indicator of potential benefits being realised.
4	CBI Northern Ireland RP7 Draft Determination Response	The business community firmly agrees that the network must be invested in now to assure investors that the projected increase in demand for electricity can be catered for. CBI NI members have highlighted that when it comes to forecasting, it is imperative for NIE Networks to look at the end point of Northern Ireland's long-term plan to decarbonise and consider what is the optimal extent of electrification in NI (e.g. planning for load factors as opposed to peak capacities where 'peak shaving' opportunities exist for hybrid heat pumps operating with renewable gas).	We are in general agreement with this position.
5	CBI Northern Ireland RP7 Draft Determination Response	It should be noted that the one of the objectives in the Energy Strategy for Northern Ireland is 'Meet at least 70% of electricity consumption from a diverse mix of renewable sources'. The department is actively pursuing offshore wind to achieve this. There needs to be anticipatory spend to allow this energy to be transported and taken to the major demand centres. Anticipatory investment in this area is fully warranted as the costs of any constraints to alleviate will be very substantial.	This issue will likely be considered throughout the RP7 period. However, the issue remains too uncertain to be included in RP7 price control deliberations.
6	CBI Northern Ireland RP7 Draft Determination Response	We note that smart metering proposals and developments have been excluded from the assessment of metering for RP7 and will be dealt with under a reopener mechanism when required. CBI NI strongly advocates digitalising of the energy system to support all stakeholders and ask that a timeline is put in place around progressing this piece of work. For network owners a digitalised system allows for more efficient management of the system and for consumers it enables informed choices to be made.	The implementation of SMART metering remained too uncertain to include in our modelling and change mechanisms as RP7 progressed. Further licence modifications will be necessary to allow NIE Networks to deliver any additional functions it might be required to undertake once decisions have been made and considered on this issue.
7	CBI Northern Ireland RP7 Draft Determination Response	To attract investment and support economic growth, it is vital that there is parity between the connection charging regimes for rural and urban businesses and with NI's closest competitors in GB and RoI. In our response to the Utility Regulator's Call for Evidence - Electricity Connection Policy Framework Review, the information provided by CBI NI Members, demonstrates that the current pricing arrangements add significantly to investment costs, and this has the potential to deter businesses from making new investments or having to scale back on the size of their investment. Therefore, a suitable connection charging framework is required that will ensure Northern Ireland is as attractive for investment as neighbouring jurisdictions. It is important for NI to be on a level playing field with its closest neighbours to ensure investment is delivered at a similar pace.	The Utility Regulator are currently jointly carrying out the review of the Electricity Connection Policy Framework jointly with Department for the Economy. Through this avenue we are reviewing the suitability of the current connection policy framework in Northern Ireland, while also exploring potential alternative options.
8	CBI Northern Ireland RP7 Draft Determination Response	Whilst we recognised that the UR has a duty to ensure that the transition is affordable, fair, and inclusive for all, there is a need to change the message to consumers. The message needs to be a recognition of how critical this investment is for Northern Ireland's economy and living standards and the positive impacts it will have.	<p>Our statutory duties are set out in Article 12 of the Energy (Northern Ireland) Order 2003.</p> <p>Our approach is then based on best practice regulation of natural monopolies. Our task essentially consists of implementing a framework within which, in return for providing monopoly services to an acceptable quality, the company receives a reasonable assurance of a revenue stream in future years that will cover its efficient costs and ensure fairness for the consumer.</p>

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Number	Response Reference / Paragraph	Comments	UR Response
9	CBI Northern Ireland RP7 Draft Determination Response	<p>We understand that NIE Networks are required to raise £2bn in financing over the RP7 period; perceptions can impact the view of rating agencies and it is key therefore that a stable environment is created as any changes are seen as uncertainty and can impact costs. Whilst we understand the UR's need to protect consumers there are concerns around inflationary adjustment and if inflation rises it is likely that this will become problematic. The introduction of an inflation adjustment mechanism as proposed in the Draft Determination gives rise a number of material risks for NIE Networks and consumers in NI. It would be a significant departure from the current regulatory model and from the arrangements that currently apply in GB. It poses a significant risk to NIE Networks' credit rating, funding capacity, investability and its cost of capital relative to GB networks with whom NIE Networks competes for finance. It risks NIE Networks being perceived as less competitive and attractive relative to GB networks. Ultimately this could lead to higher debt costs for NIE Networks which would in turn be passed onto consumers. Given the very significant capital investment programme that NIE Networks plans to undertake over the course of RP7 introduction of this mechanism could jeopardise NIE Networks ability to finance the RP7 plan.</p>	<p>NIE Networks also raised concerns about the inflation adjustment mechanism - which is also a feature of the GD23 price control - related primarily to the different allocation of inflation risk that there would be in NI and GB. Subsequent to the draft determination. Ofgem has proposed a new allocation of inflation risk for RII0-3 which bears a good degree of similarity to the UR's proposed framework which aims to address the mismatch between the use of forecast inflation in the cost of capital calculation and the application of actual inflation to the Regulatory Asset Base as the price control is delivered and revenues calculated.</p>
10	CBI Northern Ireland RP7 Draft Determination Response	<p>In response to the UR's determination around the level of funding required, whilst we take on board that the UR has stated that they are not proposing that the company delivers less, or that this will affect the journey to net-zero, CBI NI do have some concerns in relation to this. We note that they have not allowed funding for a network innovation fund, but this is critical as new technology is developed. CBI NI would also emphasize that the reduction in funding for the number of people who will deliver the RP7 business plan will have an impact on NIE's ability to deliver the plan and that it is key that sufficient resources are allowed for. It is also imperative that the process of authorising additional allowances does not add unnecessary administrative costs or time delays that inclusion in this price control would have avoided.</p>	<p>We agree that innovation funding is important. We have allowed an innovation re-opener (known as the NIF). In fact, our approach is arguably more flexible than the NIE Networks business plan as we are not setting a funding cap on this mechanism.</p> <p>The criteria proposed for assessing innovation is similar to that proposed by NIE Networks. It also broadly aligns with Ofgem in their Network Innovation Allowance (NIA) and Strategic Innovation Fund (SIF) governance documents.</p>
11	CBI Northern Ireland RP7 Draft Determination Response pages 3 to 4	<p>In relation to question posed in the consultation document on whether the assumption of the connection of 300,000 electric vehicles and 120,000 heat pumps by 2030 is a reasonable one.</p> <p>One member has the view that: 'A concern we have is the focus directed at the heat pump roll out and the assumptions made, which may not be realistic as they are not presently supported by policy and do not reflect the current state of play on the ground. In our view, a full review of a heat strategy for NI needs to be carried out. (We do note that DfE in its 2023 Action Plan has stated that they plan to issue a consultation on a low carbon heat support scheme in early 2024.) In the near term the vitally important part of network development should be to facilitate larger scale generation and demand points.'</p> <p>The view of the CBI NI's EV Infrastructure Working Group is that it is essential that the investment needed in the grid for EV charge points is not undervalued. Consideration also needs to be given to ensure that the network is prepared in anticipation of the sharp uptake of EVs and to the lead time needed to expedite increased grid capacity. The Working Group also recommend that investment in the electricity network must also keep up with investment in GB and the ROI to ensure that EV users can expect the same level of service on an all-island basis. This is important for tourism, household travel and the business community.</p> <p>The overwhelming view from CBI NI members is that we are going to see another ramp up in demand for electrification during the RP8 and RP9 price control periods, and that the priority for the RP7 period should be delivery and not a focus on the potential numbers of EVs and heat pumps that require connection. We believe that in all circumstances the initial investment in RP7 on infrastructure will be required and that this expenditure will therefore be on a "no regrets" basis.</p>	<p>We have allowed significant amounts for network monitoring in RP6 and RP7. This is to enable NIE Networks to gather data in (near) real time to guide its decision making on network optimisation versus investment.</p> <p>We accept that there is considerable uncertainty regarding all LCT forecast volumes. However, we are required to make provisions for this uncertainty which is why we have moved the secondary network reinforcement allowance to a volume driven mechanism. This ensures that NIE Networks is funded to execute the works necessary (up to a cap) to ensure sufficient network capacity in advance of LCT uptake. Furthermore, we have made significant provisions to increase capacity of the 11kV and Low Voltage networks in advance of LCT uptake.</p> <p>We will continue to support SONI and NIE Networks with the roll-out of cluster substations which are the most economical method of providing connections for large scale generation. We agree that considerable investment in the network is required to continue in RP8 and RP9 and this is reflected in the funding of new secondary network specifications which will increase capacity of the network during the refurbishment cycle.</p>

DAERA

RP7 Final Determination - Annex Z - All other responses to the draft determination

Number	Response Reference / Paragraph	Comments	UR Response
1	DAERA's RP7 Draft Determination Response	The determination would benefit from clearer messaging on actual headline additional costs e.g. how much more will domestic consumers pay in future in real terms vs today rather than noting they will be paying £13 less than what the NIE Networks Business plan would have cost domestic consumers. We would have concerns that consumers may think that they will be paying less for network charges in future. Also, would this be mainly a temporary reduction as most of this reduction is the deferment of £0.34bn?	The customer impact tables presented in the DD and FD make it clear how much consumers will pay for network charges vs today by comparing the final year of RP6 (2024/25) and the final year of RP7 (2030/31)
2	DAERA's RP7 Draft Determination Response	There is currently limited reference to "Just Transition". A fuller explanation and indication of what it means in practice would be helpful.	In our Corporate Strategy 2024 – 2029 we stated that one of our key objectives for the period is to support the Just Transition to Net Zero. We indicated we will do this by helping energy infrastructure and markets to deliver more renewable energy to optimise carbon savings and ensure security of supply, ensuring that the investment to get to net zero is affordable for consumers and making Just Transition principles core to our decision-making. As we progress this workstream within UR, we will work with NIE Networks to provide clarity on what this means in practice over the duration of the price control.
3	DAERA's RP7 Draft Determination Response	There seems to be a disproportionate cost placed on large electricity users. As this is noted as being largely due to the increase in transmission costs, DAERA would welcome clarification on whether this means that large energy users will be subsidising costs to lower energy users on the transmission and distribution network. It should be clarified if these additional costs will ultimately be passed to consumers through an increased cost of goods and services.	Our assessment of the impact of the determination on consumer bills follows a detailed methodology provided by NIE Networks which takes account of the detailed allocation of tariffs across different types of customers. This ensures large energy users do not subsidise lower energy users. RP7 is only concerned about Transmission and Distribution charges. The UR cannot clarify if increased costs will ultimately be passed to consumers of goods and services.
4	DAERA's RP7 Draft Determination Response	It appears that the burden will fall disproportionately on consumers that adopt green technologies such as heat pumps or EV chargers while those that perhaps remain on oil or gas for heating and drive a diesel or petrol car will not. Is it assumed that this will be offset if electricity prices drop but fossil heating and transport fuels do not? We have concerns this will discourage the uptake of technologies necessary to meet our transition to Net Zero.	The DD and FD presents a typical bill is for a consumer who does not adopt new technologies such as electric vehicles (EVs) and heat pumps (HPs). The bill impact is based on maintaining consumption levels forecast for 2024/25. Those who do connect EVs and HPs, and therefore increase their consumption, will pay more as a result. Those customers will benefit by offsetting reductions in fossil fuel consumption for home heating and transport.
5	DAERA's RP7 Draft Determination Response	We would particularly welcome investment in infrastructure that will maximise the ability of businesses and homeowners to invest in renewable technologies such as solar, EV and heat pump technology. Also, infrastructure to allow the maximisation of renewable energy generation whether that be from microgenerators such as small scale solar or the infrastructure to maximise the use of large-scale offshore wind.	We have allowed a significant increase in investment for HV & LV overhead lines as well as further increases in load related investment. This will provide additional capacity ahead of need for those wishing to connect LCTs and also reduce congestion to allow more over-generation to be fed back onto the network.
6	DAERA's RP7 Draft Determination Response	Does 120,000 heat pumps include full electric only or a proportion of hybrid.	NIE Networks' based its forecast investment in the network to account for heat pump uptake on a dataset from heat pumps installed under the Renewable Heat Premium Payment (RHPP) scheme in GB, which included a wide range of heat pump types and loads. This provided an aggregation of demand to reflect the real world impact of heat pump installations including consumer behaviour on a distribution network.
7	DAERA's RP7 Draft Determination Response	We welcome the inclusion of the upgrade of low capacity 11 kV sections of the network in rural areas.	UR welcomes DAERA's comments

RP7 Final Determination - Annex Z - All other responses to the draft determination

Number	Response Reference / Paragraph	Comments	UR Response
8	DAERA's RP7 Draft Determination Response	<p>Given's DAERA focus on Innovation, and the requirement for innovative approaches to meet net zero, we are concerned that the determination proposes a 50% reduction in innovation funding. However, it is noted that innovative projects can still be considered at a later point.</p> <p>By its very nature innovation is dynamic and unpredictable. Whilst DAERA notes that there will be an opportunity to re-open the price control discussions for innovations, the opportunity to do this once per 5 years is in our view contrary to what regulators are doing on parts of these islands and internationally. Innovation in network development is vital in our view, and therefore we think there is a need to provide greater opportunities for NIEN to innovate throughout the PC7 period. We would suggest that two windows at a minimum are allowed for.</p>	Justification of our ex-ante allowance is set out in Annex N. As DEARA note, rejection at this stage does not preclude future submissions for innovation projects. In terms of flexibility we agree and have amended the flexibility of the process to three re-opener windows.
9	DAERA's RP7 Draft Determination Response	Is there any possibility of increased public access to electric vehicle charging as part roll out of electric vehicle charging infrastructure at NIE Networks operational sites and central substations. I.e. Can public charging points also be made available where possible?	The installation of public charging points at NIE Networks sites is, essentially, a commercial decision for NIE Networks.
10	DAERA's RP7 Draft Determination Response	<p>DAERA welcomes that NIE Networks has committed to a target of 80% of overall losses being supplied from renewable sources. This aligns with Climate Change Act (Northern Ireland) 2022 target of 80% of electricity consumption from renewable sources by 2030. (Losses are the difference between the electrical energy entering the network and leaving it that arises for technical and other reasons.)</p> <p>DAERA welcomes NIE Networks commitments to reduce air, ground and water pollution risks from SF6 (Sulphur Hexafluoride) gas and oil which is a potent greenhouse gas and risk to watercourses respectively</p>	<p>DAERA notes that the earlier 'RP7 Approach' document highlighted the need for the electricity network to take account of the impact of climate change (adaptation) In particular, the impact that increased occurrences of severe weather events and flooding may have on infrastructure, and a requirement for a plan to be developed which identified the impact on the network, and steps to be taken to manage those risks. Reference to the need for climate adaptation (resilience), however, is not included within the draft determination.</p> <p>Under the Climate Change Act 2008, there is a requirement under section 60 for Departments to set out their policies and proposals in response to the risks in the latest UK Climate Change Risk Assessment (CCRA). The CCRA includes specific climate risks of relevance to the electricity network. We would welcome the development of a specific network climate resilience plan which sets out the associated risk management steps for incorporation into future climate adaptation programmes.</p>
11	DAERA's RP7 Draft Determination Response	It is imperative that the electrical transmission and distribution networks are upgraded and managed to allow the deployment of renewable energy that will be required to ensure that Northern Ireland meets the targets in the Climate Change Act.	<p>We rely on SONI, as the transmission system operator, to initiate new transmission developments per the Transmission Development Plan Northern Ireland</p> <p>We will continue the use of the D5 uncertainty mechanism in RP7 which allows NIE Networks to bring new transmission projects forward for construction funding after SONI has completed its pre-construction works.</p> <p>We have allowed a significant increase in investment for HV & LV overhead lines as well as further increases in load related investment. This will provide additional capacity ahead of need for those wishing to connect LCTs and also reduce congestion to allow more over-generation to be fed back onto the network.</p>
12	DAERA's RP7 Draft Determination Response	DAERA welcomes that a 'net zero' reopener is included in the RP7 Price Control which will enable NIE Networks to adapt to major changes in the delivery of net zero.	UR welcomes DAERA's comments

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Number	Response Reference / Paragraph	Comments	UR Response
13	DAERA's RP7 Draft Determination Response	<p>DAERA notes that the earlier 'RP7 Approach' document highlighted the need for the electricity network to take account of the impact of climate change (adaptation) In particular, the impact that increased occurrences of severe weather events and flooding may have on infrastructure, and a requirement for a plan to be developed which identified the impact on the network, and steps to be taken to manage those risks. Reference to the need for climate adaptation (resilience), however, is not included within the draft determination.</p> <p>Under the Climate Change Act 2008, there is a requirement under section 60 for Departments to set out their policies and proposals in response to the risks in the latest UK Climate Change Risk Assessment (CCRA). The CCRA includes specific climate risks of relevance to the electricity network. We would welcome the development of a specific network climate resilience plan which sets out the associated risk management steps for incorporation into future climate adaptation programmes.</p>	NIE Networks made a proposal for network resilience (flood and rising water table defences) in its business plan and this was funded in full.
14	DAERA's RP7 Draft Determination Response	<p>Section 42 of the Climate Change Act Northern Ireland 2022 requires DAERA to make regulations ('section 42 regulations') which will place climate change reporting duties on specified public bodies. NIE fall within the definition of a 'public body' under the meaning of section 42 of the Act. NIE may therefore be subject, in the future, to mandatory reporting on climate change (covering both adaptation and mitigation) by section 42 regulations (and/or amending section 42 regulations). Price Control Determination should therefore consider the potential for statutory reporting requirements to be placed on them by future section 24 regulations. Also, that voluntary reporting on climate change mitigation and adaptation by NIE, in the interim, maybe requested by invitation by DAERA in this regard.</p> <p>Publication of any environmental reports by NIE is important for full transparency and accountability and would therefore be welcomed by DAERA.</p>	A requirement to a report annually has been included in the FD.
15	DAERA's RP7 Draft Determination Response	<p>The development and delivery of an electricity network that supports the integration of renewable electricity and smart systems will be fundamental to the delivery of the policies and proposals contained within the forthcoming Climate Action Plan (CAP) and by extension meeting the 2023-27 and 2028-32 carbon budgets. In order to reduce emissions in a number of sectors of our economy, it is necessary to electrify most aspects of power, heat and transport and for these to be powered by renewables. Therefore, the RP7 process has a direct and fundamental impact on the delivery of CAP and carbon budgets.</p> <p>It is clear that, in the development of their proposals, NIEN has been aware of and informed by the recent climate legislation and all that this brings. NIEN cannot however, have considered the impacts of carbon budgets, 2030 targets or the policies and proposals contained within the CAPs that will cover the RP7 period since the budgets and targets are yet to be set and a draft CAP consulted upon. DAERA would urge the Utility Regulator to ensure that there is flexibility built into the process to allow NIEN to be able to respond to carbon budgets, targets, and CAP policies as and when they are published. This is likely to require much greater flexibility than the draft determination proposes thereby allowing NIEN to adapt to these CAP related targets and policies, as opposed to having to continue to deliver what they had modelled when this demonstrably may not be what is required as time passes.</p>	<p>We believe there is sufficient flexibility in the ex-ante and volume driven funding to allow the company to do what is needed when it is needed. The various uncertainty mechanisms also provide flexibility for an uncertain future.</p> <p>The price control also has Change of Law provisions which allow a review of costs in the event of legislation changes</p>
16	DAERA's RP7 Draft Determination Response	While the budget proposed is less than what NIEN had requested, it would appear to be consistent with the business plans goals set out in the NIEN submission. It is also important to have the access to the labour, fleet, buildings and materials required to deliver the capital interventions. DAERA has some concerns that the draft determination will impact the deliverability of all aspects of what is required to deliver the RP7 objectives including capital and operating costs.	The indirect capex scalar allowance has been revised significantly in the final determination. This should provide NIE Networks with all the necessary operational expenditure to deliver the allowed capital programme outputs.

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Number	Response Reference / Paragraph	Comments	UR Response
17	DAERA's RP7 Draft Determination Response	<p>The draft determination has two very notable exceptions in terms of baseline assumptions as set out at para 12.10: the roll out of a smart meter programme; and the development of a new grid connections charging policy.</p> <p>In DAERA's view, these 'uncertainties' are so fundamental to any determination that should changes occur to either of these areas in the period of RP7, this would fundamentally alter the basis upon which the determination is made. This is particularly the case with any changes to the current connections policy framework and associated charging. The July 2023 joint DfE/UR Call for Evidence on a review of connections charging policy outlined very significant amendments and options for changing how customers are charged for grid connections. Equally any changes to this policy will have a fundamental impact on the delivery of carbon budgets and policies in Climate Action Plans. Intuitively if a 'shallower' charging policy is taken forward this is likely to facilitate the development of more renewable electricity projects thus the need for more substations and conductors and probably earlier than planned. If, however, we retain the 'partially deep' or indeed if we were to adopt a 'deep' charging connection policy, these are likely to have a very material impact on the viability of projects and therefore on the amount of substations/conductor required. DAERA would request that urgent that rapid progress is made on connections charging policy given the inherent linkages between the delivery of renewables and the charging policy that developers are subject to so that certainty is provided to those wishing to connect.</p>	<p>The Utility Regulator are currently jointly carrying out the Electricity Connection Policy Framework with Department for the Economy. Through this avenue we are reviewing the suitability of the current connection policy framework in Northern Ireland while also exploring potential alternative options.</p> <p>Although the final determination of RP7 and the connection policy framework review final decision have different timelines, UR are aware of the potential correlations between the outcome of the connections policy and the RP7 Price Control. This will be considered as part of any final decision of the connections policy framework review.</p> <p>UR are also aware of the linkages of the connection policy in Northern Ireland and the delivery of NI renewable targets, this is also being taken into consideration as part of any decision taken in our joint review.</p>
ESB			
1	ESB's RP7 Draft Determination Response	<p>Given this context of the ever-increasing role of electricity, it is important that the electricity system operators (NIE Networks and SONI) are empowered to take a longer-term view of electricity demand based on scenarios agreed with policy makers and consulted upon with stakeholders. This will see anticipatory network investment taking place ahead of near-term generation and demand connecting, to meet long term net zero goals, but it will be a more efficient solution overall. While such anticipatory investments will require controls and scrutiny by the UR, it will provide the lowest cost transition overall to enable Northern Ireland to achieve net zero by 2050.</p>	<p>The implementation of SMART metering remained too uncertain to include in our modelling and change mechanisms as RP7 progressed. Further licence modifications will be necessary to allow NIE Networks to finance any additional functions it might be required to undertake once decisions have been made and considered on this issue.</p>
2	ESB's RP7 Draft Determination Response	<p>Based on our discussion with NIE Networks, it appears that the level of capital and operational expenditure (Totex) allowed in the draft determination is not sufficient to implement the full RP7 programme of work. If this is not addressed, it will create problems during RP7 where regulatory expectations cannot be met due to insufficient allowances to deliver the required investment.</p>	<p>We welcome ESB's comments.</p> <p>We support NIE Networks' secondary network specifications which inherently increase capacity of the distribution during the refurbishment cycle. We have also allowed a significant increase in anticipatory load related expenditure to allow capacity increase ahead of need.</p>
3	ESB's RP7 Draft Determination Response	<p>The cost of equity proposed in the Draft Determination is too low and is not commensurate with a rational investor's expectations of investing in an electricity network company in a relatively higher interest rate environment. ESB believes that the cost of equity proposed by NIE Networks in their submission is appropriate and should be used.</p>	<p>The costly of equity has been reviewed for the FD to include an update in market data and an increase in the Total Market Return used within cost of equity.</p>
4	ESB's RP7 Draft Determination Response	<p>The draft determination proposes an inflation adjustment to the cost of debt in the WACC which ESB believes should not be taken forward for implementation in RP7. The change removes established protections from higher inflation for NIE Networks and introduces new potential for volatility. This is a significant change to a key tenet of the established regulatory framework for electricity networks companies in Great Britain (GB) and to the existing RP6 framework in Northern Ireland. The change poses a significant risk to NIE Networks' credit quality (and by extension credit rating), funding capacity, investability and cost of capital – and is a matter of real concern for us as owner of NIE Networks. In addition, the mechanism would also create inflation risk to ESB as NIE Networks' parent company, due to legitimate financial risk mitigation that NIE Networks has taken out in the past based on the existing long established regulatory treatment of inflation in the allowed cost of debt</p>	<p>NIE Networks also raised concerns about the inflation adjustment mechanism - which is also a feature of the GD23 price control - related primarily to the different allocation of inflation risk that there would be in NI and GB. Subsequent to the draft determination, Ofgem has proposed a new allocation of inflation risk for RII0-3 which bears a good degree of similarity to the UR's proposed framework. As such, we feel this issue falls away.</p> <p>NIE Networks informed us that ESB has RPI inflation swaps and may consider it necessary to novate these instruments to CPIH with attendant costs. However, we consider that these swaps sit outside the licensee and, hence, outside the boundaries of regulation.</p>

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Number	Response Reference / Paragraph	Comments	UR Response
1	Fermanagh and Omagh District Council RP7 Draft Determination Response Paras 1 and 2	The Council recognises the important role played by the Utility Regulator and welcomes the news that the draft determination will result in a reduction in network charges of £13 for every consumer compared to the Northern Ireland Electricity (NIE) Networks business plan. This determination is particularly welcome given the ongoing cost of living pressures experienced in many households in Northern Ireland and across the Fermanagh and Omagh District Council area. The Council also welcomes the confirmation that, despite the additional network costs outlined in RP7, domestic tariffs will not increase	We welcome that the Consumer Council agreed with our draft determination position.
2	Fermanagh and Omagh District Council RP7 Draft Determination Response Para 3	The Council agrees with the projected figures in section 1.7 (<i>300,000 electric vehicles and 120,000 heat pumps by 2030</i>), but notes that any delay in the rollout of smart metering may reduce the uptake of technologies such as heat pumps and electric vehicles, as the availability of dynamic pricing tariffs can make the adoption of low carbon technologies more financially attractive.	The implementation of SMART metering remained too uncertain to include in our modelling and change mechanisms as RP7 progressed. Further licence modifications will be necessary to allow NIE Networks to finance any additional functions it might be required to undertake once decisions have been made and considered on this issue.
3	Fermanagh and Omagh District Council RP7 Draft Determination Response Para 4	The Council agrees with section 1.10 (<i>despite the uncertainty over future load projections, there is a need to begin long-term investment in strengthening our electricity networks now, accepting that some of this investment may be in advance of need</i>) and acknowledges the urgent need to commence essential long-term investment to strengthen electricity networks to meet current and projected demand.	We welcome Fermanagh & Omagh District Council's comments.
4	Fermanagh and Omagh District Council RP7 Draft Determination Response Para 5	Council supports the need for, and importance of, greater transparency and clarity around the calculation of energy efficiency ratings (section 13.8). Accurate and robust performance comparisons of NI system data (for example with Great Britain or Ireland) require the use of an agreed scope/definition and consistent methodology. Further transparency from NIE on this matter would be welcomed.	We welcome Fermanagh & Omagh District Council's comments.
5	Fermanagh and Omagh District Council RP7 Draft Determination Response Para 6	Council agrees with the proposal (section 3.26) that NIE should provide an early and timely confirmation, to the Utility Regulator, of its current pension scheme position to ensure that consumer benefits can be maximised.	We acknowledge the agreement with our proposal in the DD.
6	Fermanagh and Omagh District Council RP7 Draft Determination Response Para 7	Council notes that there is missing data relating to contractor uplifts within section 4.10; this should be addressed in the UR's final published proposal.	Paragraph 4.10 of the main draft determination report provided a brief summary of allowed adjustments to the contractor costs element of a number of OHL programmes, as this is an area where exceptional cost increases are claimed by NIE Networks and represented a key point. The full context and related data was included in Annex P of the draft determination and is included in Annex P of the final determination.
7	Fermanagh and Omagh District Council RP7 Draft Determination Response Para 8	Council agrees with the use of the Consumer Prices Index including owner occupiers' housing costs (CPIH) as a more accurate measure of inflation and recognises the benefits of using this system.	We welcome Fermanagh & Omagh District Council's comments.
8	Fermanagh and Omagh District Council RP7 Draft Determination Response Para 9	It is important to acknowledge the significant impact that smart metering and the development of additional charging mechanisms may have on all of the RP7 NIE operations, and therefore Council agrees that a 're-opener mechanism' is necessary.	We welcome Fermanagh & Omagh District Council's comments.

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Number	Response Reference / Paragraph	Comments	UR Response
9	Fermanagh and Omagh District Council RP7 Draft Determination Response Paras 10 to 12	<p>The Council welcomes NIE’s environmental commitments (section 11) and suggests that in line with other commitments, further consideration should be given to the inclusion of timelines for the reduction and subsequent elimination of the use substances with high Global Warming Potential’s (GWP) such as Sulphur hexafluoride (SF6). Council notes that alternatives technologies been implemented elsewhere in Europe, including in High Voltage environments. Council notes that section 11.5 defines Scope 1 emissions as “the direct carbon emissions from the company’s direct use of fossil fuels” and section 11.24 notes that “NIE Networks (...) provide data on network losses, SF6 emissions and oil leakages annually.” Council suggests that, in line with UK Greenhouse Gas (GHG) Emissions Reporting Guidelines, a comprehensive inventory of Scope 1 emissions should include fugitive emissions from refrigerant use i.e. SF6. Council supports the proposal (section 11.26) that the publication of an Annual Environmental Report would enhance transparency, advocacy and reputational benefits.</p>	<p>NIE Networks has committed to working with industry to develop alternatives to SF6 and equipment that does not require SF6.</p> <p>Section 11.5 does not represent the full definitions and precise requirements of the Scope 1 and 2 Green House Gas Protocol reporting standards, but used the umbrella terms for each scope for brevity.</p> <p>We are grateful for the response to our request for feedback on whether NIE Networks should publish an Annual Environmental Report. We have made this a requirement for RP7 in the final determination.</p>
firmus energy			
1	firmus energy’s RP7 Draft Determination Response pages 1 to 2	<p>The RP7 draft determination notes that ‘substantial investment is required to achieve the Northern Ireland Executive’s Energy Strategy’s target of net zero greenhouse gas emissions by 2050’ and that ‘this additional investment will increase the amount of money NIE Networks can charge consumers through the network cost element of electricity tariffs.’ However, the draft determination then notes that ‘domestic tariffs will not increase due to the additional network costs for RP7’. The Utility Regulator’s estimates for RP7 show that small businesses will see a 3%-9% increase whilst large energy users will see an 11%-19% increase. This suggests that commercial customers are ‘footing the bill’ for decarbonisation.</p> <p>The introduction to the executive summary for the RP7 draft determination concludes that “Whilst this additional investment will increase the network cost for electricity consumers, we will ensure that the transition is affordable, fair, and inclusive for all.’ It is not readily transparent how increases for commercial users but no increase for domestic users can be described as ‘affordable, fair, and inclusive for all’. With this in mind, it is also important that revenue and cost modelling is reviewed and updated to allow tariffs to provide cost reflectivity. If the allocation of costs or revenues is seen as a policy decision, then this should be carefully considered by the Utility Regulator, in conjunction with the Northern Ireland Executive.</p> <p>This draft determination currently seems to send a confusing message to domestic consumers. Domestic consumers need to recognise that the energy transition does have a cost, and everyone has to contribute to ensure we move towards a greener economy. Domestic consumers must recognise how critical NIE’s infrastructure investment during RP7 is for Northern Ireland and the positive impacts it will have.</p>	<p>Our assessment of the impact of the determination on consumer bills follows a detailed methodology provided by NIE Networks which takes account of the detailed allocation of tariffs across different types of customers. This ensures large energy users do not subsidise lower energy users.</p> <p>We recognise that additional investment in electricity networks will increase the overall cost which consumers as a whole will pay for network charges. This will be offset over time by additional demand to power low carbon technology. As a result, if demand increases as forecast by NIE Networks over the RP7 period domestic consumers who do not change their demand pattern will not pay more. Those who do increase their use of low carbon technology will pay more in network charges, with the additional costs offset by reductions in transport costs and heating costs. However, if demand does not increase the delivery of a flexible, resilient, and integrated energy system, with increased capacity for net-zero will increase costs to all consumers.</p>
2	firmus energy’s RP7 Draft Determination Response page 2	<p>firmus energy welcomes the approach, consistent with GD23, taken by the Utility Regulator in relation to the new rate of return adjustment mechanism. We do, however, note a difference in the application of the adjustment to the cost of debt mechanism to correct for the forecasting error in inflation. Whilst the GD23 mechanism applies the inflation adjustment for each individual year with a true-up at the end of the price control period, the RP7 mechanism calculates an average inflation adjustment for the period, with tariffs being adjusted annually to reflect changes to the rate of return. firmus energy would be keen to understand the Utility Regulator’s rationale behind this difference in application.</p>	<p>Following engagement since the DD the application of the rate of return mechanism has changed for the FD.</p>
3	firmus energy’s RP7 Draft Determination Response page 2	<p>In relation to the cost of debt adjustment mechanism, whilst this is in line with the GD23 final determination, we would like to highlight one particular challenge within the mechanism. The replacement debt (iBoxx) figure will be calculated using the average reported yield on the relevant series over the whole of the calendar month in which NIE carry out its refinancing exercise. Historical movements in iBoxx rates show that there can be material movements of the rate within a month, leading to a risk of fixing at a rate that is in excess of the average for the month. Utilising the rate for the actual date of refinancing would provide more surety for the company and provide a more representative benchmark for the cost of debt that has been raised.</p>	<p>We note firmus energy’s response. While we have not changed our approach for the FD this is something that can be considered again in future price controls.</p>

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4	firmus energy's RP7 Draft Determination Response page 2	We note that in making its assessment of the rate of return for NIE, the Utility Regulator has relied upon the recommendations from its consultant, First Economics. The Utility Regulator has utilised this consultant for the majority of its price control decisions and whilst this leads to a level of consistency across determinations, it could lead to a limitation of perspective regarding regulatory precedents, loss of a fresh approach or ideas and the risk of confirmation bias when comparing outcomes.	The UR choice of consultant comes as a result of well established and best practice procurement process using a framework contract.
5	firmus energy's RP7 Draft Determination Response pages 2 to 3	In its analysis of benchmarking of the NIE beta, First Economics sets out the four main determinants of the (systematic) risk that shareholders bear. A focus is given to cost/revenue structure, looking at exposure to demand risk, cost risk and operational gearing. Whilst the conclusion drawn by First Economics is that these risks are all low or very low for regulated companies, we would note that in the last 2-3 years firmus energy has faced unprecedented levels of inflation, construction, and material cost price increases considerably in excess of inflation and a year in which we achieved less than 75% of our determined revenues. Whilst regulation mitigates against some risks, the above challenges highlight that regulated Northern Ireland network companies can and have been exposed to both demand and cost risks.	We note firmus energy's response and acknowledge that we made GD23 decisions at the peak of the inflationary spike when the future trajectory for inflation remained uncertain. We would expect existing mechanisms to deal with any timing issues on revenue and we will be consulting on a new RPE mechanism for RP7 following publication of the FD.
6	firmus energy's RP7 Draft Determination Response page 3	There will be an unavoidable large initial capital outlay for the meters and technology/systems to support those meters. How will these necessary costs be recovered from consumers? If the electricity SMART metering programme is definitively happening, then should costs start to be recovered now to smooth their recovery and avoid large future tariff increases for domestic consumers? Including ringfenced allowances within RP7 could allow for this recovery, commencing from April 2025.	The implementation of SMART metering remained too uncertain to include in our modelling and change mechanisms as RP7 progressed. Further licence modifications will be necessary to allow NIE Networks to finance any additional functions it might be required to undertake once decisions have been made and considered on this issue.
7	firmus energy's RP7 Draft Determination Response page 4	<p>The government's ban on the sale of new petrol and diesel cars will come into effect from 2035, pushed back from the original target of 2030 and any estimates of electric vehicle uptake in Northern Ireland should take account of this extension to the timelines for the ban.</p> <p>The move toward electric vehicles is however relatively certain and, as such, investment in connections and the infrastructure to support them should be encouraged and even incentivised. Whilst a target of 300,000 electric vehicles by 2030 may be optimistic, having the infrastructure to allow for this level would help facilitate the promotion of uptake.</p>	We have allowed a significant increase in investment for HV & LV overhead lines as well as further increases in load related investment. This will provide additional capacity ahead of need for those wishing to connect LCTs and also reduce congestion to allow more over-generation to be fed back onto the network.
8	firmus energy's RP7 Draft Determination Response page 4	<p>The roll out of heat pumps is not presently supported by government policy. Installing a domestic heat pump requires a large upfront capital outlay and may not be suitable for a significant proportion of Northern Ireland's housing stock that are older houses with poor insulation.</p> <p>firmus energy, together with the other gas distribution network operators, would see Hybrid heat pumps playing a significant role in any decarbonisation scenario due to their ability to improve the affordability of heat pump installation for users and offer consumers the opportunity to utilise cost-optimal heating – switching between gas and electricity whenever it best suits them.</p> <p>More than two-thirds of Northern Ireland households use oil boilers as their main source of heating. Heat pumps can provide a greener solution for those consumers currently off-grid, i.e. not passed by the gas network but for those consumers who do have access to the gas network, moving from oil to gas can provide an immediate carbon emission saving of 50% and is a more cost-effective alternative compared to installing a heat pump. With the injection of renewable gases into the Northern Ireland gas network, even further carbon savings can be achieved.</p> <p>Ultimately, a full review of a heat strategy for Northern Ireland needs to be carried out to ensure the best solution is delivered for consumers; a solution that is cost-effective, takes account of any infrastructure investment to date and delivers the carbon savings required to achieve the net zero targets.</p>	We accept that there is considerable uncertainty regarding all LCT forecast volumes. However, we are required to make provisions for this uncertainty which is why we have moved the secondary network reinforcement allowance to a volume driven mechanism. This ensures that NIE Networks is funded to execute the works necessary (up to a cap) to ensure sufficient network capacity in advance of LCT uptake. Furthermore, we have made significant provisions to increase capacity of the 11kV and Low Voltage networks during the refurbishment cycle.

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1	Fox Contract's RP7 Draft Determination Response	During the RP6 period in particular, the RPI's were not truly reflective of the unrepresented increases due to COVID, Brexit and War and so left it a very challenging time for us all to maintain an economical business within this field of work.	We accept that RP6 has been a challenging period. However, general inflation has provided significant protection for NIE Networks and additional RPE allowance was provided during the RP6 extension year consultation to address the differentials.
2	Fox Contract's RP7 Draft Determination Response	If the RPI would be increased to a more realistic value it would allow us more flexibility in terms of rewarding the staff in money value to help retain and encourage new staff to come on board to these works and likewise suitable increase in line with material and other resource rises it would help a lot in a bid to continue to work on NIE Network sites.	There is no ability in this process to determine the general rate of inflation (which in RP7 will be CPIH) other than to pick a relevant measure. However, the RPE analysis attempts to set allowances based on the specific cost pressures of the electricity industry.
Grid Team Services			
1	Grid Team Services' RP7 Draft Determination Response	The global industry for electrical materials is under immense pressure, with demand growing from all quarters. Our staff are being recruited from countries as far afield as Australia and Canada. In order to remain an attractive work location and continue to meet the demands of NIE and other clients, we must address these short-term challenges. These additional inflationary pressures further burden our clients financially, and we urge the regulator to consider these factors when evaluating NIE's budget requirements for RP7.	We appreciate this risk which is why the RPE analysis considers various indices covering aluminium, copper, steelwork, transformers and general infrastructure material costs. We are also supportive of NIE Networks proposals to recruit/train more staff and have funded a bespoke training centre for just such an outcome.
HBS (Highway Barrier Solutions)			
1	HBS' RP7 Draft Determination Response	Within Northern Ireland, NIE are one of HBS's key Clients. HBS have had an excellent working relationship with NIE over 20 years and we are committed to, and focussed on, building upon this relationship. It is key to the Companies future growth strategy that we retain a trained and experienced workforce and fundamental to this is consistency of work which very few clients outside NIE in the local market are able to provide. There are many challenges in the local market currently which impact hugely upon our business. For example the increased cost to businesses from wages and inflation, in conjunction with an under performing economy are reducing the availability of capital spend and hence contribute towards, at best, a stand still position for the business despite the desire to grow. This is how we perceive the position to be for a few years still to come. The Companies dependency on the NIE relationship and revenue streams during these periods is critical.	UR are not responsible for NIE Networks' choice of contractor.
Housing Executive			
1	Housing Executive's RP7 Draft Determination Response	The Housing Executive has reviewed the Committee of Climate Change deployment rates for Low Carbon Technologies (LCT) within Northern Ireland to achieve the Stretch Ambition Pathway (93% reduction on 1990 levels by 2050). In particular for heat pumps, with 15,857 pa by 2025 and rising to 33,000 pa by 2030. Based on the working assumption the majority of decarbonised heating schemes will focus on heat pumps (including hybrids) and subject to funding the Housing Executive as a landlord anticipate a 'whole house' retrofitting at scale from 2026/27, with 4,500 household retrofits per year, (22,500 houses by 2030/31).	We are grateful for the information in relation to the Housing Executive's potential uptake of heat pumps.
2	Housing Executive's RP7 Draft Determination Response	If whole house retrofitting utilises a renewable element, which is currently part of the Housing Executive's large scale retrofit programme of 300 houses, there is potential to reduce network load and with batteries provide flexible demand, and alleviating network constraint. With the current flexible demand of approx.98MW from commercial sources, if we utilised housing for flexible demand, the NIHE landlord housing has the potential to provide significant flexible demand from on site power generation and storage.	We welcome Housing Executive's comments on this. Further engagement will be necessary to capture benefits such as these in RP7 and the future.
3	Housing Executive's RP7 Draft Determination Response	A significant number of NIHE houses are currently have a looped electrical circuit, and to ensure each dwelling can manage the potential increased electrical loads from LCT (Heat pump, batteries and EVs) each house will need unlooped by the DNO, which is a complex expensive process involving agreement from the householder.	UR has determined sufficient allowances to remove over 2,500 looped services during RP7. This is more than double the volume allowed in RP6

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4	Housing Executive's RP7 Draft Determination Response	To provide the optimum conditions for rolling out heat pumps, the Housing Executive believes more 'Time of Use' tariff options should be available to capture the cheaper off peak prices for the consumer.	<p>We welcome the Housing Executive comments on this issue. Smart metering will enable many different tariff options.</p> <p>The implementation of SMART metering remained too uncertain to include in our modelling and change mechanisms as RP7 progressed. Further licence modifications will be necessary to allow NIE Networks to finance any additional functions it might be required to undertake once decisions have been made and considered on this issue.</p>
5	Housing Executive's RP7 Draft Determination Response	In current trials the Housing Executive have adopted a monitoring and metering system, which provides instantaneous live data stream per house and an instant householder app with key information. This system focuses on total energy use, heating source energy use, relative humidity, CO2, internal temperature and calculating carbon emissions. Our ambition is to work with academia and industry to make this a scalable product, potentially for future whole house retrofits to ensure we encourage positive householder energy use, provide early warning to potential damp and mould and provide real time carbon emission data.	We are supportive of NIE Networks partnering with academia, industry and government organisations in the delivery of innovation trials.
IoD (Institute of Directors) Northern Ireland			
1	IoD's RP7 Draft Determination Response Page 3	<p>IoD NI has been actively involved in the RP7 process. IoD members value the opportunity to contribute to this important debate and inform decision making by both NIE Networks and the Utility Regulator for Northern Ireland throughout the process. Our response to previous stages is available from both IoD NI and UR. In it we welcomed:</p> <ul style="list-style-type: none"> • The introduction of the Business Plan Assessment • NIE's stakeholder engagement activities • NIE Networks and UR shared ambition to make sure that the electricity networks are fit to serve the needs of the people of Northern Ireland for generations to come. <p>IoD NI agreed that the delivery of a flexible, resilient and integrated energy system requires a change in approach from RP6. IoD NI recognises that:</p> <ul style="list-style-type: none"> • RP7 is an important period in continuing the work started in RP6 to rebuild the local electricity system • RP7 is a critical time for the delivery of the Energy Strategy and our transition towards net zero • RP7 will see a significant increase in renewable generation and an increasing use of low carbon technologies, which are essential to set the pathway to net zero • NIE Networks Transmission & Distribution infrastructure is central to connecting a low carbon future • additional investment requires additional resources both financial and workforce • will impact the network cost for electricity consumers. <p>The final RP7 determination must:</p> <ul style="list-style-type: none"> • address these needs while balancing key uncertainties • allow NIE Networks to do the work that is required while making sure that it is affordable to all customers, domestic and commercial. 	<p>We welcome the IOD's comments on these matters.</p> <p>Several uncertainty mechanisms have been reviewed following DD responses and full detail on these can be seen in Annex S of the FD.</p> <p>Our assessment of the impact of the determination on consumer bills follows a detailed methodology provided by NIE Networks which takes account of the detailed allocation of tariffs across different types of customers. This ensures large energy users do not subsidise lower energy users.</p>
2	IoD's RP7 Draft Determination Response Page 4	IoD NI agrees that new mechanisms are required to manage uncertainty including the purchase of services to defer investment and greater acquisition and visibility of data across the sector.	We welcome IOD NI's comments and can confirm that we have determined amounts to enable NIE Networks to develop flexibility markets on both primary and secondary networks. Furthermore, we have provided financial incentives for the company to defer capital expenditure if new flexibility markets are developed on the primary network. We will use RP7 as a learning environment for the development of secondary network flexibility and review our approach in RP8
3	IoD's RP7 Draft Determination Response Page 4	IoD NI shares NIE Networks and UR belief that the transition to net zero needs to be affordable, fair and inclusive for all.	We welcome IOD's support on this matter.
4	IoD's RP7 Draft Determination Response Page 4	From engagement with our members, it is clear that they want more confidence that demand will come for net zero technologies and electrical systems, this will only come through creation of an environment and infrastructure where renewable technologies are easier to purchase, install and cheaper to run for consumers.	Investment to enable further LCT technology uptake will ramp up in RP7 and need to continue in future price controls if we are to reach net zero goals. RP7 is only one part of the jigsaw in the creation of the environment that IOD envisage.

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Number	Response Reference / Paragraph	Comments	UR Response
5	IoD's RP7 Draft Determination Response Page 4	Domestic consumers and business alike now need to know how their electrical future will be facilitated with consideration of relative increased costs for domestic, SMEs and Large Energy Users important.	Customer impact is considered as part of Chapter13 of the FD document. This shows how various customer groups will be change throughout based on the assumptions within RP7.
6	IoD's RP7 Draft Determination Response Page 4	Given the scale of future electrification, the need for flexibility and agility to accommodate innovation and unpredictability in the network was emphasised as was the need for long-term strengthening of our electricity networks, accepting that some of this investment may be in advance of need.	We have concluded that, despite the uncertainty over future load projections, there is a need to begin this long-term investment in strengthening our electricity networks now, accepting that some of this investment may be in advance of need.
7	IoD's RP7 Draft Determination Response Page 5	The regulatory mandate in Northern Ireland restricts the Utility Regulator from considering environmental and economic issues in addition to its customer protection mandate. This can impact capital investment. Broadening the mandate to consider the need for decarbonisation and economic development would create a regulatory framework that further supports innovation and strategic investment. Members highlighted the need for other changes in policy, regulation and market operations that will enable the step change we need. The outcomes of the Electricity Policy Framework Review will be crucial in terms of charging costs and this issue is just as important as the Price Control itself. This needs to be matched by a Tariff review as well as a full review of the transmission infrastructure approval process to ensure the significant increase in projects can be progressed to delivery stage without delay, helping to ensure the achievement of 2030 targets and beyond.	We note the issue raised by the IoD which is wider than the scope of the RP7 price control, including issues of policy and charging and planning and delivery of large project. However, we note that our decisions on RP7 addresses wide ranging environmental and economic issues to the extent that they will impact on the future use of the network and aims to provide flexible and responsive mechanisms to allow NIE Networks to fund and deliver the necessary improvement.
8	IoD's RP7 Draft Determination Response Page 5	We welcome initiatives such as the Annual Environmental Reporting and the Evaluative Performance Framework in the price control design.	We welcome the IoD's support on these matters.
9	IoD's RP7 Draft Determination Response Page 5	Reflecting on review mechanisms and reopeners within the RP7 Price Control, innovation needs to be progressed at pace and should be appropriately facilitated	We agree and consider that an ex-ante allowance combined with the NIF framework strikes the appropriate balance to encourage innovation throughout RP7.
10	IoD's RP7 Draft Determination Response Page 5	Given the volatility of inflation and the uncertainty of this over the next five years, it is essential that review mechanism and reopeners allow for the timely review of inflation and unit prices without disproportionately adding regulatory burden and unintended consequences that could lead to negative consequences for customers from the price control design.	It is our intention to undertake a separate consultation on an RPE true-up mechanism to address any volatility in input prices. However, we do not intend to undertake a review of unit costs during the RP7 period as this would add significant regulatory burden.
Kelvatek			
1	Kelvatek's RP7 Draft Determination Response	<p>Our general observation regarding the modelling of EV uptake is that no model disputes the eventual outcome, which is the widespread electrification of transport by 2050. Rather, the focus lies on the rate of change that will occur. In this regard, it should not be a question of over or underinvestment, but rather an efficiency factor in spending. However, the fact remains that if sufficient investment is not promptly made into the grid, Northern Ireland risks non-compliance with Net Zero targets set for 2035 and 2050.</p> <p>In this context the current UR stance on applying volume drivers to LRE for secondary network investment raises concerns regarding investment uncertainty and continual replanning. This approach introduces control measures that may result in the UR holding back allowances on an annual basis, creating instability in investment planning and jeopardising the continuity of the capital expenditure program. Treating all LRE for secondary network investment equally disregards the varying nature and significance of these expenditures within the network investment framework.</p> <p>However, NIE Networks proposed approach of implementing an ex-ante allowance combined with a volume driver and mid-point review offers a better alternative. This approach mitigates the impact of investment uncertainty by providing NIE Networks with a predetermined allowance for LRE expenditure, allowing for more informed investment decisions and reducing the need for continual replanning. Additionally, the mid-point review ensures that any adjustments can be made to the investment plan based on actual progress and emerging needs, enhancing the effectiveness and efficiency of the investment process.</p>	<p>We have made provisions in the price control to fund the ongoing changes to NIE Networks' OHL specifications which will increase the capacity of the primary and secondary networks regardless of LCT uptake. We have done this in the knowledge that electrification of transport will occur although the timings are still uncertain.</p> <p>We conducted considerable engagement with NIE Networks post draft determination and the results of this is a remodelling of our approach to volume driven allowances. The new rates in the final determination reflect more accurately the outputs that will be delivered. The new approach will remove the regulatory burden involved with mid-term reviews and allow NIE Networks the agility it requires to do what is needed when it is needed.</p>

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Number	Response Reference / Paragraph	Comments	UR Response
2	Kelvatek's RP7 Draft Determination Response	In response to the current uncertainty around connections charging, we advocate for the implementation of a socialised connections cost model similar to that of GB. This approach is crucial for optimising connections equitability and ensuring a fair transition to net zero for all consumers in Northern Ireland (NI).	The Utility Regulator are currently jointly carrying out the Electricity Connection Policy Framework with Department for the Economy. Through this avenue we are reviewing the suitability of the current connection policy framework in Northern Ireland while also exploring potential alternative options, including that of which would socialise connections in Northern Ireland similar to Great Britain.
3	Kelvatek's RP7 Draft Determination Response	<p>Kelvatek does not support the Utility Regulator's decision to reduce the settlement for IMFT&I allowances in the draft determination, as this poses a significant risk to the successful delivery of NIE Networks' capital investment program. The EY Cost Benefit Analysis highlights the substantial operating costs associated with a larger and more resilient grid, emphasising the necessity for sufficient financial resources to meet these demands. By curtailing the settlement for IMFT&I allowances, the UR risks hindering NIE Networks' ability to execute essential capital projects, jeopardising the reliability and resilience of Northern Ireland's energy infrastructure.</p> <p>Moreover, the UR's decision fails to acknowledge the escalating costs and competition for skilled manpower in the energy sector, both locally and nationally. Rising fault costs and network management expenses, coupled with intensified competition driven by renewable energy projects and capital expenditure programmes, necessitate robust financial support to ensure the effective operation and maintenance of energy networks.</p> <p>Kelvatek urges the UR to reconsider its stance and provide NIE Networks with the necessary financial backing to fulfil its capital investment obligations. Failure to do so not only compromises the reliability and resilience of Northern Ireland's energy infrastructure but also undermines the region's ability to meet its net zero targets and adapt to evolving climate-related risks.</p>	<p>We have provided a significant uplift for IMFT&I costs from the draft to the final determination by virtue of the change to the indirect scalar and other modelling / bottom-up amendments.</p> <p>We would further note that the indirect scalar has been properly applied in the final determination. This should ensure that NIE Networks has the entire funding available to complete all the increased capital programmes and outputs.</p>
4	Kelvatek's RP7 Draft Determination Response	Exclusive focus on historic spend rates may be considered reductive as it overlooks critical factors including the increasing frequency of severe weather events. The failure to reference Storm Arwen and its associated learnings represents a missed opportunity to adopt insights from the GB regulatory framework. While historic spend rates offer valuable insights, they should not be the sole determinant for future investment decisions. It is imperative to adopt a comprehensive approach that considers factors such as climate resilience, enhanced forecasting capabilities, and technological advancements.	<p>We accept that lessons learned from Storm Arwen should be considered. Whilst this decision is solely related to the severe weather cost allowance, it should not be considered as being made in isolation. For instance:</p> <ol style="list-style-type: none"> 1) RP7 is allowing for additional tree-cutting costs to increase network resilience (in line with recommendation 1 of the Storm Arwen report). 2) RP7 is developing a variety of consumer metrics which will eventually result in targets for improving consumer experience (in line with recommendation 12 of the Storm Arwen report). 3) RP7 is providing innovation funding for research into real time fault level monitoring and management (in line with the direction of travel of recommendation 6 of the Storm Arwen report). 4) UR is separately consulting on changes to the GSS framework (in line with recommendation 17 of the Storm Arwen report). <p>It is our view that many of the lessons learned has been incorporated into RP7, though perhaps could have been made clearer.</p>

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Number	Response Reference / Paragraph	Comments	UR Response
5	Kelvatek's RP7 Draft Determination Response	<p>Ensuring network reliability is vital for a successful transition to Net Zero, especially for customers facing poor service levels. DNOs must guarantee reliable networks as low carbon technologies become more prevalent and working patterns evolve, as highlighted by the COVID-19 pandemic. This reliability is particularly crucial for worst served customers (WSC), as supply disruptions disproportionately affect them.</p> <p>UREGNI's perspective, articulated in their statement, emphasises the belief that the allowance for high voltage (HV) overhead line works during RP7 already provides adequate funding and flexibility for NIE Networks to fulfil its WSC aspirations. However, it's important to note that UREGNI's stance raises concerns about the potential lack of alignment between circuits targeted for replacement and those serving the worst served customers. This suggests a potential gap in addressing the needs of the most vulnerable consumers within the regulatory framework.</p> <p>The contrasting approach taken by OFGEM in Great Britain, where funding was allocated for both HV reinforcement works and incentive for worst served customers, highlights the divergent regulatory strategies employed by different regulatory bodies. OFGEM's decision to introduce a specific incentive for worst served customers acknowledges the importance of prioritising the needs of these consumers, reflecting a proactive approach to inclusivity within the energy sector.</p>	<p>During further engagement with NIE Networks, a range of network interventions have been identified and have been shown to be outside of the business as usual works for overhead lines. We have, therefore, revised our approach and determined an allowance of £3m with the output of reducing WSCs by 50% during RP7.</p>
6	Kelvatek's RP7 Draft Determination Response	<p>GB networks benefit from access to various funding streams including the Strategic Innovation Fund (SIF), which allocates £450 million over the ED2 period, and the Network Innovation Allowance (NIA), providing around £210 million over the same timeframe.</p> <p>The disparity in access to innovation between Northern Irish consumers and their counterparts in GB raises questions and potential implications for the Northern Irish energy sector.</p>	<p>We disagree that a disparity exists. Unlike the GB companies, NIE Networks has the opportunity to bid for any level of innovation funding that can be justified.</p> <p>NI is also more flexible in that NIE Networks does not have to compete with other companies as per the Ofgem approach in the SIF. Neither is NIE Networks restricted in the same way that the SIF determines the priorities or challenges for particular funding rounds.</p>
	Kelvatek's RP7 Draft Determination Response	<p>Monopoly companies often exhibit reluctance to undertake significant innovation due to the shared savings mechanism, potentially leading to lower cost allowances in future price controls. Recognising that innovation inherently involves a level of risk, incentivising innovation is crucial for driving progress and efficiency within the energy sector.</p>	<p>Whilst this risk aversion may be true, it is our view that the consumer takes more risk by virtue of funding guaranteed costs with uncertain benefits. In this scenario we think it appropriate that future benefits should be shared between customers and the network company.</p> <p>However, we have provided further incentive for NIE Networks to undertake innovation in RP7 by virtue of the reward available under the evaluative performance framework.</p>
	Kelvatek's RP7 Draft Determination Response	<p>Northern Ireland must not be disallowed from leading the way in innovation.</p>	<p>It is our view that the innovation framework being implemented provides the necessary conditions to support new investment.</p>

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7	Kelvatek's RP7 Draft Determination Response	<p>The symmetrical approach outlined in the Draft Determination for evaluating NIE Networks' performance, with equal upside and downside rewards capped at £3 million, is intrinsically unfair and fails to provide sufficient incentive for superior performance. Moreover, the absence of a baseline assessment process exacerbates the problem by introducing uncertainty and unfairly exposing NIE Networks to the risk of incurring penalties without a clear starting point for evaluation.</p> <p>Drawing on experiences from similar regulatory frameworks, such as the Incentive on Innovation Outputs Scheme (IIS) in Great Britain during ED1, an asymmetrical cap and collar approach proved highly effective in driving substantial performance improvements. Notably, the asymmetrical structure allowed for greater potential rewards than penalties, incentivising network operators to excel while mitigating the risk of disproportionate penalties. It's worth noting that this asymmetrical approach was implemented initially, and it was only after performance had been benchmarked and evaluated in ED1 that a symmetrical cap and collar was introduced for ED2.</p> <p>This historical precedent underscores the effectiveness of an asymmetrical reward structure in promoting innovation, efficiency, and overall performance within regulated industries. By providing stronger incentives for positive outcomes while limiting potential downsides, regulatory frameworks can better align with the goal of driving continuous improvement and value creation for consumers. Therefore, adopting a similar asymmetrical cap and collar mechanism for NIE Networks' evaluation process would not only be fairer but also more conducive to achieving long-term benefits to energy consumers.</p>	<p>We disagree that equal upside and downside is unfair. NIE Networks is substantially bigger than SONI (where UR implemented a similar EPF) and any penalty would not have the same materiality of impact.</p> <p>Financial rewards or penalties do not apply in the first year of EPF and this provides the time to establish baselines which can inform later years of EPF.</p>
KN Group - Circlet			
1	Circet's RP7 Draft Determination Response	<p>Circet (NI) Ltd have been experiencing a lot of commercial challenges on the B947_Trenching and Ducting contract over the last 12 months. We have absorbed a lot of cost increases over the last financial year, particularly in relation to materials costs, and this is being further compounded by recent price increase notifications from quarries which is having a serious negative impact on the commercial performance of this contract.</p> <p>We have seen an increase in labour costs, and this has been driven mainly by the cost-of-living crisis which the region has been living through over the last 24 months (increases in Utility bills, food, clothing etc). This has put challenges onto our labour rates and we have had to issue out rate increases to cater for this. Our labour costs have increased by 10%. We have seen significant increases in aggregate costs across the last 12 months, with stone (23-26%), concrete (16%), asphalt (17 – 21%) rising sharply, and we have received recent notifications from quarries quoting further increases from April 2024. On average the increase in materials is 20%, which has a 7.3% impact on the overall rates.</p>	<p>UR set allowances NIE Networks can charge to consumers, which includes adjustments for real price effects through links to the actual CPIH inflation index and projected rates of electricity industry input costs compared to forecast CPIH inflation movements, in a bid to reflect macroeconomic cost changes. UR is not responsible for setting costs between NIE Networks and its contractors.</p>
Mills Contracts			
1	Mills Contracts' RP7 Draft Determination Response	<p>Full appreciate the difficulties the Utility Regulator has in determining the amount of investment NIE Networks are allowed to do and control the cost to the consumer. If a service or a commodity is too expensive the consumer has a choice to be frugal with their energy use, reducing their costs and carbon foot print, but security of supply on demand is still required. UR should grant NIE their proposed investment levels but with conditions of security of supply on demand. Given the ever increasing cost of resources, the investment level should be index linked over the period of RP7, 2025 to 2031.</p>	<p>Allowances in RP7 are index linked to CPIH with additional provision for real price effects. It is our intention to undertake a separate consultation on an RPE true-up mechanism to address any volatility in input prices.</p>
Mutual Energy			

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Number	Response Reference / Paragraph	Comments	UR Response
1	Mutual Energy's RP7 Draft Determination Response	<p>The 80% target of renewable energy in Northern Ireland is a stretching one and can be completely undermined by poor response times to connect generation and demand. It is widely accepted that anticipatory investment is needed.</p> <p>If progress is to be made towards achieving net zero goals, then we believe we need an appropriate level of certainty to invest ahead of shorter-term need in RP7. Many of the uncertainty mechanisms proposed in the DD include the ability to claw back allowances if certain conditions are not met, or extensive up front application processes. There are virtually no realistic modelling scenarios which do not result in a large increase in the electricity consumption over the medium term.</p> <p>The use of claw back against short term volume drivers for primary network reinforcement and secondary network reinforcement are ill advised at this point. The attempt to maximise efficiency through this timing of what is very likely to be essential investment undermines the principal of anticipatory investment, leads to uncertainty with resource allocation to deliver and, as a whole will be detrimental to customers over time. Similarly the additional conditions proposed for D5 projects undermine the importance of timely investment.</p> <p>Greater certainty should be given to NIE Networks to invest in the network and more responsibility to ensure much shorter connection times for customers in all major population centres and areas of economic activity.</p>	<p>We will continue to support SONI and NIE Networks with the roll-out of cluster substations which are the most economical method of providing connections for large scale generation.</p> <p>We changed the basis of funding for secondary network reinforcement from ex-ante lump sum to volume driven because of the uncertainty of LCT uptake. The funding model in the final determination allows NIE Networks to undertake whatever works are necessary (up to a cap) and consumers will only pay for the works undertaken. We have also funded NIE Networks ""Touch the Network Once"" approach. This allows anticipatory investment to increase the capacity of the network ahead of need.</p> <p>We have not proposed any clawback mechanisms in the DD or the FD. However, we will review NIE Networks' annual utilisation report to ensure that investment ahead of need is justified and use the 'demonstrably inefficient or wasteful' mechanism if we deem necessary.</p> <p>The Utility Regulator is the last body in the D5 approval process and, as such, can be perceived as the main delay in the process. We endeavour to process all funding applications as quickly as possible whilst ensuring costs are challenged and that governance procedures are adhered to.</p>
2	Mutual Energy's RP7 Draft Determination Response	<p>A concern we have is the focus directed at heat pump roll out and the assumptions made, which may not be realistic as they are not presently supported by policy and do not reflect the current state of play on the ground. In our view, a full review of a heat strategy for NI needs to be carried out. This is to ensure that assumptions made are realistic and not ideologically led. We anticipate a low carbon heat consultation from DfE, to address the barriers to decarbonising NI's heat supply as well as informing the required policy for creating a realistic pathway to achieving this.</p> <p>The 120,000 heat pump installations by 2030 used to forecast network investment is clearly too high.</p>	<p>We are aware of the uncertainty around HP uptake and have designed our allowances to be flexible to cope with the level of uncertainty.</p>
3	Mutual Energy's RP7 Draft Determination Response	<p>Based on current total new car registrations and the proportion that are EVs, the uptake of 300,000 EVs by 2030 used to forecast network investment is clearly too high. 130,000 would be more prudent for network planning.</p>	<p>We are aware of the uncertainty around EV uptake but are of the opinion that to choose a lower number could place strain on the network if actual uptake is higher. Building for 300,000 may be anticipatory, but does not deliver a stranded asset as the capacity will be required in RP8.</p>
NFDA - National Franchised Dealers Association - Northern Ireland			
1	NFDA's RP7 Draft Determination Response	<p>NFDA-NI dealer members still report lengthy waiting times when looking to connect to the grid. The lack of capacity on the network currently deters crucial investment in renewable generation as investors need to see a clear route to market for their projects. This issue is intensifying with the increased requirement of the number of charge points on-site at dealerships in NI. This increase in charge point, albeit currently behind schedule, is due to increase exponentially and we predict a huge growth to run in parallel with the uptake of electric vehicles. However, we understand that this issue is being prioritised and welcome the focused work from UR/NIE, as well as other industry stakeholders to improve the situation.</p> <p>NFDA-NI firmly agrees that there must be an investment into the network to assure investors that the projected increase in demand for electricity can be catered for. Proactive and pre-emptive investment in this area is required to help alleviate the upfront costs that all businesses need to pay to connect. This cost serves to significantly disincentivise investment in the grid as we argued in our response to the UR's Electricity Connection Policy Framework Review. To support investment, there needs to be parity between the charging regimes across the board. NFDA NI recommends adopting a shallow charging regime, which aligns with the charging regime of GB and ROI. To reiterate our stance: "NFDA-NI strongly believes a shift towards a shallow charging regime is the right move in Northern Ireland, it would benefit all users of the electricity grid and engender investment into the network."</p>	<p>The Utility Regulator are currently jointly carrying out the Electricity Connection Policy Framework with Department for the Economy. Through this avenue we are reviewing the suitability of the current connection policy framework in Northern Ireland while also exploring potential alternative options, including that of which would further socialise connections in Northern Ireland . As part of the joint review we are also considering the connection timelines and potential ways that might speed this up.</p>

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Number	Response Reference / Paragraph	Comments	UR Response
2	NFDA's RP7 Draft Determination Response	NFDI NI strongly supports the digitalisation of the energy system, which allows for a much more effective running of the system and is more user-friendly for consumers, enabling more informed choices. We also agree with the proposed idea to refresh the distribution of information for consumers and develop a more interactive and accessible management of the system.	We agree with this objective and have made provision for such digitalisation by virtue of the large uplift to IT and Telecoms allowances. We expect this process to continue and be subject to future requests in the IT replan for the later years of RP7. The likely introduction of smart meters will also enhance consumer information.
3	NFDA's RP7 Draft Determination Response	<p>The current market share of electric vehicles in Northern Ireland stands at approximately 12% (February 2024). Additionally, Northern Ireland has still yet to pass the ZEV mandate, which is the primary policy lever that the Government is using to increase EV uptake. In the UK where this is law, the market share for January was EVs was 14.7%, and 17.7% for February; both are below the current goal of 22% for 2024. In fact, private EV uptake has declined.</p> <p>We are slightly concerned that the longer the ZEV mandate is not introduced, the longer Northern Ireland will exist as a 'dumping ground' for older, more pollutant vehicles. NFDA-NI along with several other industry stakeholders have consistently applied pressure directed towards government around this topic and we hope to hear a resolution very soon with Stormont now sitting and legislation now able to be passed. There is overwhelming consensus from NFDA-NI members that electrical energy demand will continue to increase into future Regulatory Price Controls. Electric vehicles will become increasingly prevalent, generating increased pressure on the grid. We strongly believe that we are still a year away from the rapid acceleration of BEV uptake on NI roads, which would give the UR and NIE time to prepare for such a situation.</p>	<p>We welcome NFDA's comment on this area.</p> <p>In the RP7 FD we have concluded that, despite the uncertainty over future load projections, there is a need to begin this long-term investment in strengthening our electricity networks now, accepting that some of this investment may be in advance of need.</p>
NEA NI			
1	NEA's RP7 Draft Determination Response	National Energy Action Northern Ireland (NEA) highlighted the importance of NIE Networks working closely with UR's Consumer Protection Programme and Best Practice Framework to support vulnerable consumers.	<p>We welcome NEA's focus on the need to support vulnerable consumers.</p> <p>We expect consumers in vulnerable circumstances to be protected by the companies we regulate including NIE Networks. Our new Code of Practice for Consumers in Vulnerable Circumstances ensures a regulatory consumer protection mechanism will apply from the start of RP7.</p> <p>Additionally, we have retained the BS ISO 22458 on Consumer Vulnerability - the design and delivery of inclusive services – measure for RP7. We require NIE Networks to seek accreditation in Year 1, with attainment within 6 months of the start of Year 2 at the latest.</p> <p>We consider our approach will help to ensure consumers in vulnerable circumstances are supported by NIE Networks</p>
2	NEA's RP7 Draft Determination Response	The roll out of SMART metering should be a priority.	The implementation of SMART metering remained too uncertain to include in our modelling and change mechanisms as RP7 progressed. Further licence modifications will be necessary to allow NIE Networks to finance any additional functions it might be required to undertake once decisions have been made and considered on this issue.
3	NEA's RP7 Draft Determination Response	We would like to see the development of social tariffs for low income and fuel poor households to help make energy more affordable for a discrete and well-defined set of energy customers. In the 2000s, the UK Government and Ofgem introduced voluntary social tariffs in the energy sector as a form of 'social price support' for vulnerable consumers. This represented an attempt by Government to protect the poorest consumers from fuel price rises without the need to interfere in the market or invest excessive amounts of public money. Whilst we recognise this is an area of work to be led by the Department for Economy (DfE) and the UR, we believe NIE Networks have an important role to play in this area in terms of informing policy development and in the identification of eligible households.	We note NEA's views on the development of a Social Tariff and any potential role for NIE Networks. In our Consumer Protection Programme 2024-29 we noted that in 2023, the UK Government made a commitment to consult on a social energy tariff to protect vulnerable consumers. If adopted there would be an expectation for a similar approach in Northern Ireland. In anticipation of this policy area progressing, we will seek to develop a trusted and impartial evidence base to support policy and decision makers in Northern Ireland, to evaluate the need for social tariffs and how they might operate. We will consider NEA's comment as part of that process.

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Number	Response Reference / Paragraph	Comments	UR Response
4	NEA's RP7 Draft Determination Response	The UR and NIE Networks should obtain more detailed information and data around vulnerable consumers use of pre-payment meters (PPM) and the levels of self-disconnection in NI. With currently 45% PPM customers in the electricity market, we believe there is a need for further exploration into the range of aspects of coping with a PPM. We still don't have enough information to adequately assess the degree of self-disconnection, rationing, consumer behaviour, accessibility, ease of use, PayPoint issues and many other aspects. NIE Networks is uniquely placed to support the development of work in this area. From our experience, it is clear that a significant number of PPM customers don't have a direct relationship with their energy supplier but rather their meter device. This means that NIE Networks could be best placed to lead on identification and engagement when it comes to supporting these consumers.	We note NEA's comments on issues around self--disconnection for prepayment meter customers and the need for further work in this area. In our Consumer Protection Programme 2024-2 we have identified our workstream on debt and affordability which includes exploring how to best identify consumers who are self-disconnecting. We will consider NEA's comment as part of that workstream.
5	NEA's RP7 Draft Determination Response	We welcome the reduction on the asked for cost increase, but this remains a huge increase for RP7. The UR needs to ensure that this is wholly necessary to enable us to transition to net zero, therefore we need to be confident that there has been the necessary scrutiny required. We will also need to protect low income households as the costs for households continue to increase. Additionally we wish to ensure that these costs are not covering any unnecessary reinforced networks for the benefit of the company. This will also need to ensure that grid flexibility planning is consolidated in this price control period, so as to ensure that when RP8 comes round the same investment will not be required.	We changed the basis of funding for secondary network reinforcement from ex-ante lump sum to volume driven because of the uncertainty of LCT uptake. The funding model in the final determination allows NIE Networks to undertake whatever works are necessary (up to a cap) and consumers will only pay for the works undertaken. NIE Networks "Touch the Network Once" approach may incur cost ahead of need but, in the long term, we see this as the most efficient method of increasing network capacity.
6	NEA's RP7 Draft Determination Response	UR should be pushing NIE Networks for realistic but stretching targets and ensuring that there are no rewards for Business as Usual activities. As outlined above, customers should be protected, and best practice upheld at all times. Customer satisfaction levels, customer service registers, guaranteed level of service, and improvement in worst served customers should all have stretching targets to ensure a quality and best in class service for customers.	We note and agree that targets must be stretching and realistic. Chapter 4 and 5 of Annex U: Consumer Measures and Consumer Engagement discusses the approach to target setting. We consider this helps to make sure targets are stretching and realistic. We also note NEA's view that there should be no rewards for Business as Usual activities. No financial incentive is attached to NIE Network's performance on the consumer measures.
NI Water			
1		The UR's Draft Determination and NIEN's Business Plan recognises NIEN's challenge throughout the RP7 period to simultaneously digitally transform the business, build DSO capability, and deliver appropriate cyber security initiatives to facilitate the move towards a low-carbon economy. This challenge will require a whole system approach and collaboration with a wide range of stakeholders. The NI public sector should be a particularly important stakeholder given the scale of its combined primary energy use, legal mandate to decarbonise its activities, financial attractiveness, distributed asset base and leadership role. NI Water, as the single largest consumer of electricity in Northern Ireland, possesses a unique set of technical capabilities and infrastructure that can, if funded appropriately, be utilised to lead the public sector to underpinning the transition to a low carbon energy system. Leveraging its significant operational scale and technical expertise, NI Water can spearhead initiatives and serve as a model for renewable energy adoption, energy efficiency, and innovative carbon reduction practices.	We welcome the NI Water response and acknowledge the role it can play in building a zero-carbon NI economy.
2		Leveraging NI Water's capabilities in support of the RP7 Draft Determination's aims could, if appropriately funded, include: Renewable Energy Production and Integration Energy Storage Solutions Smart Grid Technology and Demand Response Energy Efficiency Measures Training and Capacity Building Collaboration and Partnerships Evidence Based Policy and Leadership	We welcome NI Water's thoughts on these areas. However, funding of NI Water is not a matter for this RP7 control and we have therefore passed this response to our water regulation colleagues to consider in future engagement with NI Water.

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Number	Response Reference / Paragraph	Comments	UR Response
1	North West Forest Services' RP7 Draft Determination Response	North West Forest Services is responsible for organising training and ensuring it has a skilled workforce to carry out the work. Difficulties have been encountered in recruiting and retaining qualified workers. The competition in wages has made it increasingly challenging to attract and retain skilled individuals. Additionally, the rising costs of materials have further compounded efforts. It is crucial to address these issues and work towards finding viable solutions that can support our industry in overcoming these obstacles.	We are not able to provide detailed commentary on individual NIE Network contracts or suppliers. However, we are of the opinion that the RPE analysis adequately takes these issues into account on an overall basis.
NIE Pension Scheme			
1	Trustees of the NIEPS' RP7 Draft Determination Response	<p>The Trustees of the NIEPS have commented that “Whilst we are supportive of most of the RP7 proposals in respect of pensions, we do not agree with the proposals in respect of the pensions monitoring framework.”</p> <p>They have outlined that they do not think this framework is appropriate because it is:</p> <ul style="list-style-type: none"> •“At odds with Ofgem’s current approach for energy utilities under its regulation, which allows for a triennial recalibration of pension allowances following each actuarial valuation. As Trustees we cannot see the logic for a deviation away from Ofgem’s approach in this area given your general intention for RP7 to aim for consistency with Ofgem’s approach and noting that you already adopt Ofgem’s approach for some pension aspects such as the RIGS/PDAM reporting.” •In the response, it is anticipated that, when the new version of the Code of Practice is published by the Pensions Regulator later in 2024, the NIEPS will be classified as a ‘significantly mature’ scheme, “meaning that any new pension scheme deficits emerging over time will need to be funded by further deficit contributions from NIE Networks payable as soon as it can reasonably afford. Any undue delay in NIE Networks being able to find such contributions would be at odds with the requirements of the new scheme funding regulations and would be significantly detrimental to the security of the pension scheme and our members.” <p>The overall comment is that the proposed monitoring framework is “not appropriate.” And the lower threshold of 75% is “in our view is so low that it effectively means that there would be no realistic re-opener mechanism, having regard to the Scheme’s current funding position and investment strategy. This is contrary not only to the current Ofgem approach and the new funding regulations which will oblige the Trustees to seek redress of any emerging funding deficits, but also to your own obligation to ensure NIE Networks has adequate funding in relation to pension scheme costs.” In NIEPS’ opinion, this could cause tension between the Trustees and NIE Networks, and they urge the UR reviews these proposals, and “recommend a re-opener mechanism more aligned to Ofgem’s current approach, allowing a three-yearly adjustment of in-cycle pension allowances.”</p>	<p>We note the NIEPS disagreement with our approach to retaining the current monitoring framework, and that we should align more with the Ofgem approach.</p> <p>We have indicated above that we, although we do not see it as appropriate to change the framework at this time, will analyse the Ofgem approach, particularly any review of their policy. Any change, or decision not to change, their policy, would provide an appropriate point to conduct a review of our own policy, and we would welcome NIEPS’ further input into this.</p>
Owens Contracts			
1	Owens Contracts' RP7 Draft Determination Response	Owens Contracts are fully committed to any new Projects inside NIE Framework in the coming future with expansion to help with the resources that may be needed to cover the scope, scale and complexity of the works. Owens Contracts intend to increase their workforce from 25 Machines/Plant to approximately 50 plus Machines/Plant to assist NIE.	UR welcomes the commitment of NIE Networks' contractor base
Phoenix Energy			

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Number	Response Reference / Paragraph	Comments	UR Response
1	Phoenix Energy's RP7 Draft Determination Response	<p>It is important that the development of NI's electricity infrastructure continues to be informed and shaped by the holistic consideration of the requirements of an integrated net-zero energy system which both retains system resilience and offers cost-effective solutions for a consumer base with often bespoke decarbonisation requirements.</p> <p>One such example of this is in the rollout of air source heat pumps across domestic and commercial markets. Whilst heat pump technology may be well placed to support properties' transition to net zero solutions, current research and trials have demonstrated that combining renewable gas with hybrid heating systems offers significant consumer and system benefits. This technology should be factored into future network planning in areas with gas network infrastructure available, with heat pumps and associated thermal efficiency retrofit targeted at off gas grid properties. For instance, in areas where hybrid heating systems can be used, future network planning and investment should take into consideration whether peak heating demands could be met via hybrid heating systems through existing gas infrastructure.</p>	<p>In RP7 we continue to support the roll-out of network monitors which give NIE Networks a near real-time view of the local network conditions and the ability to make better planning decisions with respect to future load scenarios whatever technologies may be introduced on to the network.</p>
2	Phoenix Energy's RP7 Draft Determination Response	<p>We note that NIE Networks has based its central estimate of new demand to include the connection of 120,000 heat pumps by 2030 and that the Utility Regulator is seeking feedback on whether this is reasonable. Our experience of converting homes from oil to gas is that, even armed with all the broad range of benefits associated with the introduction of a highly efficient gas system, consumers invariably either delay or avoid the decision out of apathy and a reluctance to change until such times as there is a specific driver (for example change of occupier/renovation work or boiler breakdown). Unlike gas connections, heat pumps will typically require additional retrofit of houses and behavioural change.</p> <p>Phoenix Energy therefore considers the NIE Networks target ambitious if c.20,000 conversions are to be delivered each year without significant engagement and financial support plus skills investment in the development of a necessary installer base. We would however note that the need to reinforce the electricity network is a fundamental enabler for the delivery of NI's decarbonisation targets and therefore whilst we do not necessarily agree with the heat pump numbers proposed, we remain supportive of the need to enhance the capacity of our electricity network.</p>	<p>We recognise the uncertainty of low carbon technology uptake and, in particular, that of heat pumps.</p> <p>In order to cope with the uncertainty, we have introduced volumetric allowances for secondary network reinforcement which will ensure the delivery of additional capacity can flex with the intensity of uptake of low carbon technology. We are grateful for the information relating to Phoenix Energy's experience of heating system conversions.</p>
Prospect			
1	Prospect's RP7 Draft Determination Response Paras. 4 to 8	<p>While the regulator cites analysis that salaries for key occupations are currently growing slower than the Office for Budget Responsibility (OBR) average hourly earnings index, this is not Prospect's experience for the electricity sector employees it represents, as salaries are currently increasing beyond inflation.</p>	<p>We are unable to comment on specific union member salary growth. However, NIE Networks provided actual staff numbers and labour costs (excluding pensions) dating back to 2012-13.</p> <p>On an overall company basis, the cost per FTE up to the base year (2021-22) has remained stable in real terms at around £55k (using CPIH). This has not changed materially in the last 9 years with a real increase of c. 0.2% per annum. If using RPI, the unit costs would actually have fallen in real terms over the period.</p> <p>This analysis is not the complete picture as the figures may reflect the changing staff profile. It does however suggest that wages are just keeping pace with inflation, not rising faster.</p>
2		<p>Demand for specialist energy skills is going to increase in the coming years as the energy transition accelerates across the UK and Ireland. Employers in the energy and utilities industry already report significant problems filling vacancies and anticipate further issues to come. We strongly encourage the regulator to introduce a separate provision for specialist labour in line with best practice.</p>	<p>Whilst this is a risk, we are of the view that such an approach would be asymmetric without consideration of all DNO staff roles. We would further note that NIE Networks is proposing significant efforts in upskilling new staff, which we are fully supportive of.</p> <p>Whilst the business plan forecasts significant labour and staff number increases in absolute terms, NIE Networks are indicating that the unit cost per FTE will actually fall in real terms in RP7.</p>

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3	Prospect's RP7 Draft Determination Response Paras. 9 to 10	<p>We are concerned about the significant reduction in IMFT and indirect costs (IMFT&I) in the draft determination. It is vital that the increased workload associated with ambitious capital investment plans are properly reflected in IMFT&I allowances. Otherwise, there is a risk that NIE Networks cannot employ enough staff to support the delivery of its infrastructure plans, with a knock-on impact on Northern Ireland's energy and climate goals.</p> <p>The regulator's assumption that half (50%) of the gap between its analysis and NIE Networks' analysis is due to scope differences between Northern Ireland and GB appears arbitrary. Without further explanation of how the regulator has reached this figure, we are concerned that the draft determination risks a lack of proper resourcing at the company</p>	<p>This issue is fully addressed by the change to the indirect scalar approach which has significantly uplifted allowances. Whilst we accept that the 50% was arbitrary, assuming 100% uplift due to scope differences without evidence would be more problematic. Without verification, such an approach would result in an outcome that systematically overstates NIE Networks required costs. We have moved to 100% uplift following detailed justification having been provided.</p>
4	Prospect's RP7 Draft Determination Response Paras. 12 to 13	<p>In a 2023 report the UK's Electricity Networks Commissioner Nick Winser concluded that skills shortages are 'becoming a constraint on delivering net zero'. The International Energy Agency also warns 'skills shortages threaten to slow the ramp up of clean energy technologies'. The final determination must provide sufficient resources to facilitate significant investment in skills, including apprentice, trainee, and graduate programmes as well as opportunities for reskilling, upskilling and professional development at all levels of the organisation.</p>	<p>We are supportive of NIE Networks plans in this area. As well as material increases in staff allowances, we have provided funding for a bespoke training centre to address future skill needs as required.</p>
QUB			
1	QUB's RP7 Draft Determination Response	<p>To accelerate the transition to net-zero electricity at the lowest possible cost to Northern Ireland's consumers, we have a strong interest in working with NIE to address some of the strategic network issues to achieve this objective. This can't be done without research and innovation.</p>	<p>We agree with this sentiment and would expect NIE Networks funding requests to include the costs of consultancy or academic support to trial innovative solutions.</p>
2	QUB's RP7 Draft Determination Response	<p>We have a strong interest in partnering with NIE to establish a 'Network Innovation Hub'. An estimated investment of £270k per year over the six-year period (2025-2031) is essential to support a strategic research team, including three local and three international PhD students, as well as four three-year postdoctoral research fellows.</p>	<p>UR recognises the importance of partnership and collaboration when developing innovative solutions. However, it is for NIE Networks to take responsibility for proposals around the development of such hubs.</p> <p>Unless this method of research is specifically proposed by NIE Networks as part of their innovation plans, we have no vires to fund separate academic institutions. To date, such a request has not been formally received. We would however likely be supportive of such partnerships should such a request be made.</p>
3	QUB's RP7 Draft Determination Response	<p>The proposed Network Innovation Hub is strategically designed to complement NIE Networks' existing baseline ex-ante innovation projects.</p>	<p>Ex-ante innovation business cases received as part of the RP7 business plan generally include consultancy support costs. Who delivers this activity is a matter for NIE Networks.</p> <p>However, there is no specific reference in any of the submissions for support from a network innovation hub to deliver these projects.</p>
4	QUB's RP7 Draft Determination Response	<p>This Hub will provide NIE networks, Utility Regulator and DfE with evidence-based analysis and reports.....This aligns with the Utility Regulator's Corporate Strategy of 'building a strong data focused research and evidence base that informs our policy outcomes'.</p>	<p>As noted above, we have no vires to fund separate academic institutions. However, we are open to submissions from NIE Networks should it consider this to be an optimal way to support future trials and research.</p>
Renewable NI			
1	Renewable NI's RP7 Draft Determination Response	<p>When the UR is considering the cost to NI consumers as part of RP7, RNI would propose that the regulator consider how the current level of constraints, highly likely to continue in the immediate future, is risking the economic viability of existing investments, and could ultimately, raise costs to consumers in the form of higher RESS bid prices.</p>	<p>This costs of constraints sits outside the remit of RP7. However RP7 will be critical in delivering the flexible, resilient and integrated energy system described in the Energy Strategy. Projects such as the North-South Interconnector will allow increased renewable energy to be generated and distributed and should also contribute to reductions in other market costs such as imperfection charges.</p>

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Number	Response Reference / Paragraph	Comments	UR Response
2	Renewable NI's RP7 Draft Determination Response	<p>RNI notes that in its Draft Determination, that the UR's messaging focuses almost exclusively on the cost to the consumer of the proposed investment, rather than its significant long-term value. Within the initial pages of the document, in the executive summary, the UR states that "whilst the additional investment [made in RP7] will increase the network cost for electricity consumers, we will ensure that the transition is affordable, fair and inclusive for all." Notwithstanding the importance of a just transition, RNI would question why in stating that there will be an increased cost for consumers, no mention is made of the longer-term value and, ultimately lower costs, that a flexible, strengthened grid which can facilitate greater levels of cheaper renewables, will deliver. RNI hopes that as part of future expansion of its vires, that the UR will also adopt a less myopic view on what constitutes protection of and value for consumers.</p>	<p>We welcome RNI points on this issue. However the RP7 Price Control must focus on how NIE Networks will recover the revenue it needs to operate, maintain and expand the electricity transmission and distribution networks up to March 2031. The Energy Strategy sets out substantial investment requirements, of which RP7 is a small element.</p>
3	Renewable NI's RP7 Draft Determination Response	<p>In the UR's draft determination there is an acknowledgement that "there is a need to simultaneously digitally transform the business" in order to facilitate and futureproof the grid. However, NIEN's ambitious IT and digitalisation programme was deemed to be of an "unprecedented size and scope" and the UR requested it be scaled back so that both NIEN and NI's electricity consumers would benefit from a longer period to "mature the planning" of these IT programme updates.</p> <p>RNI contends that IT project workstreams, which are needed to enable proper functioning of scheduling and dispatch for batteries, non-priority wind and new technology must be prioritised and put in place before other systems can properly run (i.e., Future Arrangements for System Services). Putting the upfront cost of these IT projects in the context of the overall transition will ultimately result in lower cost to the consumer by facilitating proper utilisation of renewables and low carbon technologies.</p>	<p>We have agreed with NIE Networks that due to the high level of uncertainty a revised approach should be taken to the assessment of the IT projects submitted, and that it was appropriate that an allowance would be made for a proportion of the requested allowance to enable the procurement and design phases to progress to cover the first two years of the price control period, with a re-opener to occur in 2026.</p>
4	Renewable NI's RP7 Draft Determination Response	<p>To date NI has developed its grid infrastructure only when a project has sought connection and is in receipt of planning permission. This approach and the concomitant delays are no longer sufficient to achieve 80 by 30 and it is vital that we now build out the grid ahead of time.</p> <p>RNI notes that NIEN requested that £150 million of distribution network reinforcement allowances to be provided ex-ante and that any re-opener mechanisms were not able to claw back any previous allowances.</p> <p>In the UR's Draft Determination, the primary network reinforcement allowance has been reduced by 10%, and the UR has proposed that clawbacks may be possible if forecasts alter. With this possible risk of disallowances and no ex-ante funding for secondary network reinforcement, it will be impossible to create an environment which is conducive to ambitious and anticipatory investment by NIEN.</p> <p>NIEN must be given the requisite certainty to advance and develop its supply chain and build out necessary grid capacity. RNI, therefore, supports NIEN's position that allowances be provided ex-ante and re-openers are used exclusively to release new funds effectively and do not permit clawbacks.</p>	<p>We have made significant adjustments from draft determination to final determination. Not least we have reversed our decision to reduce primary reinforcement by 10%. After extended engagement with NIE Networks post draft determination, we have significantly revised secondary network reinforcement allowances and reinstated Worst Served Customer allowances.</p> <p>We believe the final determination gives NIE Networks the ability to deliver what is needed when it is needed with minimal regulatory involvement</p>

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5	Renewable NI's RP7 Draft Determination Response	<p>RNI notes that NIEN proposed reform of the pre-construction aspect of the D5 mechanism during RP7. RNI welcomed NIEN's proposed approach to improve efficiency of the mechanism by initially self-funding the pre-construction work and then retrospectively claiming it when the project progressed. Given the scope and scale of the work NIEN must undertake in this decade to meet 80 by 30, and the impact delays in the pre-construction phase can have, RNI welcomed this pragmatic approach and acknowledged the additional risk for NIEN.</p> <p>However, in the Draft Determination, despite accepting the reform in principle, RNI is disappointed to see that additional, onerous criteria have been introduced, namely reducing the threshold to £1.5 million (which RNI understands excludes over 50% of projects that would have been eligible), and a requirement that the aggregate pre-construction costs do not exceed more than 12.5% of total allowed capex for the projects. A higher threshold to facilitate the use of the D5 pre-construction mechanism by NIEN, would for instance, facilitate the full utilisation of RP7 capex allowance to speed up projects that can increase the capacity of the transmission network.</p> <p>Considering, also, the challenging macroeconomic environment in which NIEN is operating, with significant supply chain and inflationary challenges, RNI would propose that the UR raise the minimum value limit for these transmission network reinforcement projects. This would mean that the UR only has to approve the largest and riskiest projects and would permit NIEN to advance with vital transmission infrastructure build-out (over 50% of transmission projects could then avail of this benefit). RNI would also argue that the imposition of the 12.5% criteria is overly restrictive and will only serve to reduce the efficacy of NIEN's proposed reforms to the D5 mechanism.</p>	<p>We are of the opinion that the current transmission approval process as stated in the transmission licence does not require any further modification. However, we will continue to work with NIE Networks and SONI to implement streamlining in the approval process where this does not conflict with our internal governance or our duty to protect the long and short term interests of electricity consumers with regard to price and quality of service.</p>
6	Renewable NI's RP7 Draft Determination Response	<p>Cost volatility has and continues to be a major issue for NIEN. RNI understands that in its calculations, the UR has inconsistently used 2021/22 and 2022/2023 as the base year for costs and that this does not reflect the real cost that NIEN will face as it does business over the RP7 period, particularly in procurement of materials.</p> <p>Given that market volatility will likely continue into the future, RNI would support NIEN's proposal that a unit cost mid-point review be introduced. This would allow for 3 years of data to be considered by the UR and then, if needed, unit costs could be amended accordingly. This opportunity for review would give sufficient comfort to NIEN, promoting a pro-investment approach and also offering consumer protection.</p>	<p>For the FD we have included 2023/24 costs in consideration of cost allowances. While we held our position on a mid point reopener we have committed to undertaking a separate consultation to implement some form of RPE true-up for RP7.</p>

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7	Renewable NI's RP7 Draft Determination Response	<p>RNI noted in our response to NIE Networks consultation on the approach to planning for the RP7 price control period from 2025-2031, that energy storage was not addressed in any detail. In the Draft Determination, specifically the strategic context to RP7, the UR clarifies that the work NIEN will do in RP7 will be critical in delivering the “flexible, resilient and integrated energy system” as set out in the Energy Strategy, and states explicitly that storage solutions such as batteries will be vital to “enable flexible access to low-carbon energy when renewable generation is low.”</p> <p>If the purpose of RP7, as the UR has said is to facilitate the energy transition, then RNI stresses that without due consideration of energy storage, a vital decarbonisation enabler and component of future grid infrastructure has been omitted. RNI restates its queries as to why NIEN did not consider the importance of energy storage as a vital part of grid scale investment, and noted the myriad of benefits that energy storage can bring in this regard.</p> <p>Energy storage, particularly of longer durations will be essential to decarbonising our energy system by providing a range of valuable services from congestion management, peaking capacity, alternative network solutions, facilitating increased renewables on the grid, delivering cost benefits to end consumers, and ensuring security of supply.</p> <p>RNI notes that the Department of the Environment, Climate and Communications (DECC) in ROI has been undertaking a consultation on developing an electricity storage policy framework for Ireland. RNI reiterates our position that NIEN should consider the approach adopted in ROI and ensure that energy storage is facilitated and developed in a complementary way in NI.</p>	<p>We consider that adopting both a top-down and bottom-up assessment of costs ensures that cost allowances are set at appropriate level. Allowances have been fully reviewed between DD and FD.</p>
8	Renewable NI's RP7 Draft Determination Response	<p>RP7 should take into account that NIE Networks cannot provide certainty for each scenario, particularly with respect to innovation funding.</p>	<p>This lack of certainty is understood. However, the case for innovation funding must at least detail the potential benefits that could be attained. This principle is recognised by NIE Networks and Ofgem. To do otherwise, would mean the consumer being exposed to cost with no discernible benefit.</p>
9	Renewable NI's RP7 Draft Determination Response	<p>The level of justification which UR will require that NIE Networks provide on specifics of the projects is too extensive and by no means commensurate with how typical innovation business cases are evaluated.</p>	<p>We disagree. The criteria proposed for assessing innovation is similar to that proposed by NIE Networks.</p> <p>It also broadly aligns with Ofgem in their Network Innovation Allowance (NIA) and Strategic Innovation Fund (SIF) governance documents.</p>
10	Renewable NI's RP7 Draft Determination Response	<p>RNI would also argue that any underspend on innovation now which may be perceived as a saving for the current consumer will ultimately be passed back to future consumers. To that end, RNI proposes that an increase in allowance for the eleven defined projects be provided for by UR.</p>	<p>The potential to pass-back future underspend does not seem like a good rationale to fund unjustified innovation requests. Each of the eleven ex-ante projects have been considered on their individual merits and determined accordingly.</p>
11	Renewable NI's RP7 Draft Determination Response	<p>NIE Networks also requested a Network Innovation Fund which would operate as an annual reopener mechanism. RNI supported this type of responsive and agile approach for NIE Networks. However, only one mid-point reopener was provided for, which would not result in prompt timescales to innovation proposals.</p>	<p>We have accepted this argument and have increased flexibility by introducing three NIF re-opener mechanism windows in RP7.</p>

RSPB NI

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Number	Response Reference / Paragraph	Comments	UR Response
1	RSPB NI's RP7 Draft Determination Response Pages 1 to 2	<p>The RSPB firmly believes that nature should be a key consideration in all decision-making. Electrical infrastructure has the potential to have a significant impact on nature. Where nature is considered early on in the decision-making process, the risk of conflict is reduced. Cases such as the Hintlesham Woods SSSI (Site of Special Scientific Interest) in England illustrates the issues that can arise when nature was not considered at the early stages of planning new electrical infrastructure.</p> <p>The Intergovernmental Panel on Biodiversity and Ecosystem Services (IPBES)² and the Intergovernmental Panel on Climate Change (IPCC) make it clear that the nature and climate emergency is indivisible. The most recent UN Emissions Gap report identified that we are currently on track for 2.9 degrees of warming by 2100 – this would be devastating for wildlife and people. Rapid decarbonisation is therefore vital but so is the protection and restoration of ecosystems which are also under pressure from land use change causing habitat loss and fragmentation, in addition to the threats posed by disease, pollution, disturbance and persecution, among other pressures. 12% of species on the island of Ireland are at risk of extinction and Northern Ireland ranks 12th worst out of 240 countries for biodiversity loss. A quarter of our birds are now red-listed, meaning that they are the highest category of conservation concern. Therefore, NIE must consider nature within its climate mitigation and adaptation.</p>	We would encourage NIE Networks to consult with RSPB NI and others to ensure best practices are followed to minimise impact on the natural habitat from its activities.
2	RSPB NI's RP7 Draft Determination Response Page 2	We note that smart metering costs are excluded from estimates in several places. However, they remain a very important tool for the transition to a sustainable energy system. These have been described by the Department for Business, Energy and Industrial Strategy (BEIS) as playing a “vital role in decarbonising the energy sector” and “delivering secure, cheap and clean energy”.	We welcome RSPB NI's comments
3	RSPB NI's RP7 Draft Determination Response Page 3	We particularly welcome the references to energy efficiency (in particular within 1.3, and 11.6 point 1). Energy efficiency is a 'no regrets' option, which can deliver significant short-term emissions reductions with no or minimal risk to wildlife while stimulating economic recovery through job creation and delivering social benefits. Energy Efficiency is also vital to reconciling energy demand and nature conservation, by reducing overall consumption levels and therefore making the energy generated from low carbon technology, power more. There is almost universal recognition of the benefits and clear support from the CCC. Due to the reduced pressure on nature when energy efficiency is prioritised, we have some concerns regarding the limited scope of the proposed approach in 11.12 where shifting to renewables and network resilience are the primary drivers for pursuing energy efficiency, which on its own provides considerable benefits in terms of sustainability.	<p>We agree that energy efficiency should be encouraged for consumers and in the activities of NIE Networks.</p> <p>Our comments in 11.12 on our network losses approach did not outline initiatives and developments that can improve network efficiency. New transformer allowances have been uplifted to reflect that more efficient tier 2 eco-directive compliant transformers will be installed. Larger minimum cable diameters will be used in cable replacement works, and mechanisms enable NIE Networks to install larger diameter where appropriate. NIE Networks will continue to have a revenue protection services incentive to tackle illegal electricity abstraction.</p> <p>We also note that the growth of distributed generation at consumer premises will mean more energy is produced and consumed onsite without reaching the grid and being impacted by network losses.</p>
4	RSPB NI's RP7 Draft Determination Response Page 3	We note the reference in 1.3 (b) to “Robust and well-planned infrastructure to maximise the use of locally-generated, low-carbon electricity, complemented by interconnection to other markets to access low carbon electricity produced elsewhere”. We welcome the intention of this statement, in principle, but add that renewables must be well-planned to ensure that they are in harmony with nature specifically. Inappropriately sited renewable energy developments can have significant negative impacts on many bird species, including (but not limited to) collision and disturbance. It is therefore vital that onshore and offshore renewable energy deployment (both within Northern Ireland and beyond, where energy will be produced elsewhere and brought to Northern Ireland via interconnectors) is planned strategically and spatially in order to avoid the areas most sensitive for nature and that all developments are subject to robust and competent environmental assessment (including in the case of small-scale and microgeneration such as single turbines).	We would encourage NIE Networks to consult with RSPB NI and others to ensure best practices are followed to minimise impact on the natural habitat from its activities.
5	RSPB NI's RP7 Draft Determination Response Page 3	We urge caution on unsustainable technologies that may fall under 'low carbon technologies' and caution against the facilitation of these. Instead, RP7 should focus on genuinely low carbon renewables that are sited, constructed and operated in harmony with nature and underpinned by robust and competent environmental assessment with appropriate stakeholder participation and engagement.	We welcome RSPB NI's comments

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Number	Response Reference / Paragraph	Comments	UR Response
6	RSPB NI's RP7 Draft Determination Response Page 4	<p>We understand the distress caused to NIE Networks' customers by extreme levels of bird fouling. As a bird conservation charity, we would need to receive further detail on this bird deterrent device. Until further details are provided, the following general advice should be followed:</p> <ul style="list-style-type: none"> • The operation of a deterrent must not trap, injure or kill a bird. • A scaring device or barrier deterrent must not be set so that it prevents nesting birds access to their active nest. • Scaring devices must not be used close to the nest of a Schedule One species, since any kind of disturbance of these birds at or close to their nest is strictly illegal. • Before starting to deter birds from one site, make sure that there are alternatives for the birds to go to. Otherwise the deterrent will not have the desired effect and will simply serve to distress the birds. <p>RSPB NI would be happy to offer further advice when the details of the deterrent that NIE Networks plans to use has been clarified.</p>	We welcome RSPB NI's comments
7	RSPB NI's RP7 Draft Determination Response Page 5	<p>In the absence of targets in law for nature's restoration, we welcome NIE's ambition to go beyond their minimum obligations with regards to nature and we look forward to seeing this ambition delivered on the ground.</p> <p>We welcome the inclusion of a natural capital approach to quantify the importance of ecosystem services, which can often be difficult to calculate and therefore risk being excluded as a consideration within decision-making.</p> <p>We note with concern the miscommunication at Orangefield which resulted in the felling of approximately 170 trees, and while we note the replacement of these trees, we wish to emphasise that mature habitat is not easily replaced and its removal can have significant impacts on habitat integrity. NIE Networks should commit to no unnecessary tree removal (and any unavoidable hedgerow or tree removal shall occur outside of the standard bird breeding season, which typically runs from 01 March to 31 August to ensure compliance with The Wildlife (NI) Order 1985 (as amended)).</p> <p>We note that reference is made to offsetting impacts. When 'offsetting' environmental impacts, the mitigation hierarchy of 'avoid, minimise, mitigate' must be followed: where in the first instance, any impacts must be avoided, where this is not possible sufficient mitigation measures must be put in place. Furthermore, we note the inclusion of the term 'rewilding' within 11.15. Rewilding is a broad term and can sometimes be conflated with land abandonment or undermanagement, both of which can be detrimental to species and semi-natural habitats. We would urge NIE Networks to seek professional advice on habitat creation and management. For example, tree-planting in some areas can cause significant harm to species that rely on open habitats.</p> <p>We would be very supportive of the recommendation in 11.26 to require NIE to publicise an annual environmental report as a reputational incentive. This should be made publicly available. We also agree with the statement that NIE has the ability to deliver above and beyond what has currently been identified.</p>	<p>We would encourage NIE Networks to consult with RSPB NI and others to ensure best practices are followed to minimise impact on the natural habitat from its activities.</p> <p>We are grateful for the response to our request for feedback on whether NIE Networks should publish an Annual Environmental Report. We have made this a requirement for RP7 in the final determination.</p>

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Number	Response Reference / Paragraph	Comments	UR Response
8	RSPB NI's RP7 Draft Determination Response Page 6	<p>We welcome statements 15.14-15.16 within lessons learnt.</p> <p><i>"In line with good regulatory practice, we plan to conduct a lessons learnt process to take place within the first year of the licence modifications coming into effect, after the RP7 price control process has been completed. As part of this lessons learnt process, we intend to capture feedback from the NIE Networks, key stakeholders as well as internally from our colleagues on key aspects of the price control process. We wish to use this information to implement improvements to the way in which we conduct price controls and apply them to future price control processes, where reasonable and possible."</i></p>	We welcome RSPB NI's comments in respect of lessons learnt.
9	RSPB NI's RP7 Draft Determination Response Page 6	<p>We would seek further clarity on the content of the further issues noted within 15.17 where the Utility Regulator states: <i>"As part of this RP7 draft determination we have identified some issues, which we consider to be beyond the scope of the RP7 price control determination. We would plan to continue work on these areas where appropriate and identify broadly the key issues for the RP7 final determination."</i> Further detail on which issues this consists of would be appreciated.</p>	<p>Two key strands of work which have remained too uncertain to include in our financial modelling or change mechanisms:</p> <p>a)The future implementation of SMART metering.</p> <p>b)Any future decision to socialise an increased proportion of connection costs through NIE Networks investment and Regulatory Asset Base.</p> <p>Further licence modifications will be necessary to allow NIE Networks to finance any additional functions it might be required to undertake once decisions have been made on these issues.</p>
Rural Community Network NI			
1	Rural Community Network NI's RP7 Draft Determination Response	<p>We are concerned that the draft determination makes only passing reference to rural communities. Residents of rural areas are acknowledged as one of several groups of vulnerable consumers on p7 but no other comments are made on the needs of rural communities and consumers.</p>	<p>We have made significant increases in funding on secondary network refurbishment. The majority of this network services rural communities. The increased funding allows for removal of low capacity conductors which should increase resilience to adverse weather in addition to increasing network capacity.</p> <p>Furthermore, we have continued to fund the proactive replacement of low capacity transformers which are prevalent in the rural community. This will provide easier connection of low carbon technologies should customers wish to avail of these.</p>
2	Rural Community Network NI's RP7 Draft Determination Response	<p>The evidence shows that those customers most affected by unplanned interruptions to supply live in rural communities. RCN believes that RP7 should include reference to this issue and commit to investing further resources in ensuring an uninterrupted supply to rural households. Plans for further development of the Network need to meet the needs of these households.</p>	<p>We agree with this point. During our engagement with NIE Networks, the company provided additional information to justify its request for worst served customer (WSC) funding. We were convinced by the new information that our draft determination of disallowing all funding required revision. The main reason for our re-evaluation was that NIE Networks is required to carry out certain works that would not be included in the allowances for 11kV rebuild.</p> <p>We are of the opinion that allowing the funding requested together with a reporting regime to measure the number of Worst Served Customers is a relatively low risk and will provide valuable learning for RP8. To this end the funding request has been accepted along with the associated 50% WSC reduction target.</p>
3	Rural Community Network NI's RP7 Draft Determination Response	<p>Access to land for repairs, maintenance and renewal of the network is crucial for future development. This requires ongoing stakeholder engagement at the local level with farmers and landowners. The draft determination should make a clear commitment to stakeholder engagement to manage the development of the network in future</p>	<p>Thr RP7 determination process has already led to significant amounts of stakeholder engagement. Further engagement will be required as delivery of the price control begins.</p>

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Number	Response Reference / Paragraph	Comments	UR Response
1	Smart Grid Ireland's RP7 Draft Determination Response	<p>Innovation is critical to the speed of deployment and development of future technologies therefore the case for increased investment in innovation is a key priority if NIE Networks are going to be able to provide the flexible, integrated and resilient energy system envisaged in the Energy Strategy. Prof Dirk Van Hartem of Energyville, Brussels highlights that there are major shifts in technology development underway so expenditure in both design and testing of replacement technologies should be given a priority'</p> <p>The "fast follower" approach previously adopted in NI is no longer appropriate. NI should be looking to become leaders in the energy transition, leveraging our unique characteristics. Innovation needs to be collaborative, including engaging with other utilities and third parties and taking a whole of system perspective. The provisions of previous Price Control plans have not been enough.</p>	<p>It is our view that the "fast follower" approach can continue to deliver consumer benefit. Unless there are technical reasons why GB DNO trial results should not apply to NI, we see value in NIE Networks leveraging off this learning.</p> <p>That being said, the NIE Networks Innovation Strategy does seem to recognise the need to expand beyond this activity. This includes:</p> <ul style="list-style-type: none"> • Developing active research collaborations with other energy vectors and academia. • Strategic relationships with academia on energy research programmes. • Exploring the needs of new or transforming electricity users. <p>We are supportive of this expansion. In terms of allowances NIE Networks are currently underspent against existing innovation allowances. This does not include the RP6 extension year which further increased the innovation cap. At this stage, it is not correct to state that previous allowances have not been sufficient.</p>
2	Smart Grid Ireland's RP7 Draft Determination Response	<p>There are key issues that need to be addressed such as Smart Metering and Connection Charge Reform. These are critical issues that need to be progressed urgently, and taking them on a piece meal basis, separate to the Price Control, is likely to lead to sub-optimal decisions.</p> <p>The timescale for the process needs to find the right balance between the need to reflect the complexity and uncertainty arising from the scale of change needed in this price control, whilst also enabling progress to be made quickly and provide early momentum to delivery of the energy strategy. It is an accepted action pathway that the levels of electrification must be significantly increased therefore the grid infrastructure must not become a barrier</p>	<p>The Utility Regulator are currently jointly carrying out the Electricity Connection Policy Framework with Department for the Economy. Through this avenue we are reviewing the suitability of the current connection policy framework in Northern Ireland while also exploring potential alternative options including the further socialisation of connection costs.</p> <p>Although the final determination of RP7 and the connection policy framework review final decision, have different timelines, UR are aware of the potential correlations between the outcome of the connections policy and the RP7 Price Control. These will be considered as part of any final decision of the connections policy framework review.</p> <p>UR are also aware of the linkages of the connection policy in Northern Ireland and the delivery of renewable targets, this is being taken into consideration as part of our joint review.</p>
3	Smart Grid Ireland's RP7 Draft Determination Response	<p>We agree with the Regulator that a step change in investment is needed to ensure that our electricity supply system is fit for purpose and that it meets the legislative commitments by 2030. We are moving into an economic era where the dependence on a reliable and continuous supply of electricity is not only necessary but fundamental to meeting the supply and operational needs of a digitally driven society and industrial economy.</p> <p>In this situation the regulator should ensure that adequate investment is available to upgrade low-capacity sections of the network such as the 11KV network especially in regional areas which have been disadvantaged in the past. In fact it is essential that adequate funding is made available for refurbishment of the ageing network. These upgrades are essential irrespective of load projections from 2024 onwards in these areas. Adequate investment NOW will make for a grid operationally ready to meet unplanned societal and industrial demand for connections.</p>	<p>We welcome Smart Grid Ireland's comments.</p> <p>We have made provision for significant increase in expenditure on the secondary distribution system (11kV & LV). This increased expenditure will ensure the removal of low capacity conductors and transformers. However, we must remain realistic about the timeframe to complete these works and we expect the works to continue through RP8 & RP9. Investment to support secondary network reinforcement has increased significantly from RP6 and this is expected to deliver capacity increases in addition to those mentioned above.</p> <p>We have also made provision in the final determination to fund the works required to reduce the number of worst served customers by 50%.</p>

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Number	Response Reference / Paragraph	Comments	UR Response
4	Smart Grid Ireland's RP7 Draft Determination Response	<p>It is SGI's opinion that, rather than using traditional methods of applying regulated spending caps, claw back mechanisms which only creates uncertainty and potential delays, a more innovative approach to protecting investment should be considered as this would free up time and effort towards meeting investment in improved capacity and the development of a smart grid infrastructure.</p> <p>For example, there are key areas of Infrastructure and integration required to support electrification of the transport sector including local renewables and storage to support local energy needs (including load growth associated with electric vehicles and electrification of heat) to provide flexibility for integration of system-wide renewables. Consideration should be given to Community energy management and microgrids to support local energy sharing, flexibility and resilience.</p>	<p>It should be noted that we have not introduced any new clawback mechanisms but remain committed to the demonstrably inefficient/wasteful expenditure mechanism introduced in RP5. Our use of volumetrically driven funding removes regulatory burden and allows NIE Networks to do what is required under the safeguard that we will monitor asset utilisation reports on an annual basis.</p>
5	Smart Grid Ireland's RP7 Draft Determination Response	<p>The view of Smart Grid Ireland members is that driven by the urgency of the climate change act and net zero targets, the transition to when the grid goes green is no longer a gradual shift but a race to meet the timelines imposed through the legislative framework and energy policies. The regulatory framework must reflect this and adjust where appropriate from traditional regulatory practices while ensuring best possible value for the consumer.</p>	<p>Given the scale of the works required to bring the Northern Ireland network to the required standard with regard to capacity, we believe the RP7 determination strikes the correct balance between cost to consumers and the physical ability to deliver the necessary outputs.</p>
6	Smart Grid Ireland's RP7 Draft Determination Response	<p>A key point is the need to ensure NIE Networks are awarded sufficient allowances to ensure that they can grow their workforce to deliver the work required. We would question if the draft determination has allocated appropriate levels of funding required to build a workforce that can deliver all that as set out in the plan.</p>	<p>The final determination makes significant uplift for operational costs. This includes correction of the capex scalar to ensure that NIE Networks has all the necessary indirect support staff to facilitate delivery of the capital programme.</p>
SONI			
1	SONI's RP7 Draft Determination Response	<p>SONI notes the benchmarking assessments undertaken by the UR. We also note that there is further work needed in relation to the benchmarking. SONI considers that it is important that the datasets being used are comparable and that adjustments are considered where there are differences between the network in Northern Ireland and GB.</p> <p>SONI is somewhat surprised at the reduction on IMFT&I related costs. It is important that the overall asset base is adequately inspected and maintained to ensure that customers continue to benefit from past investments.</p> <p>The UR should also consider whether the historical benchmarking data is reflective of what the specific future needs of the Transmission and Distribution networks in Northern Ireland. In addition, there does not appear to be any consideration of comparisons with Ireland.</p>	<p>Annex B of the draft determination sets out the pre-modelling adjustments that were undertaken by CEPA to ensure like-for-like comparisons.</p> <p>The final position has changed significantly from the draft determination. However, whilst this is a reduction on the amount being requested, it is important to note that this represents a c. 33% increase from base year spend. This represents a material uplift in this cost category.</p>

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Number	Response Reference / Paragraph	Comments	UR Response
2	SONI's RP7 Draft Determination Response	<p>Noting their importance in the critical path for delivering the network infrastructure required to meet the statutory 80% RES-E targets by 2030, it is important the Utility Regulator is adequately resourced to deliver regulatory approvals in a timely fashion.</p> <p>Furthermore, given the significantly challenging timescales, it is important that a flexible and innovative approach is taken to the regulatory approval process. For example, consideration might be given going forward to approvals for appropriately grouped projects. In addition, in line with the acknowledgement on the importance of more anticipatory investment to facilitate the timely delivery of the networks required to meet the 2030 targets, it is important the approvals process facilitates this.</p> <p>SONI welcomes the fact that the UR has included the full D5 estimates in its assessment of financeability and tariffs. We do however consider that the UR needs to further assess its position in relation to progressing pre-construction works earlier. We understand that the proposed approach by NIE Networks is new and innovative, however, in the context of clear legal targets, the time to progress projects is a more critical factor than may have been the case in previous price controls.</p> <p>SONI is actively looking at the existing Transmission Network Pre-construction Project (TNPP) process under our price control and what steps could be taken to increase the speed of needs assessments, approvals process and delivery of pre-construction activities. The approach proposed by NIE Networks will need very close coordination under the Transmission Interface Arrangements (TIA) between SONI and NIE Networks, respecting the role of SONI as responsible for Transmission planning, however, we see merit on some of the pre-construction works progressing in parallel, in line with the proposed approach presented by NIE Networks. We recommend that the UR adopt the proposal as presented by NIE Networks. The UR could consider putting a check point in mid-way though the price control to assess the success and benefits of the proposed approach.</p>	<p>We are of the opinion that the current transmission approval process as stated in the transmission licence does not require any further modification. However, we will continue to work with NIE Networks and SONI to implement streamlining in the approval process where this does not conflict with our internal governance or our duty to protect the long and short term interests of electricity consumers with regard to price and quality of service.</p>
3	SONI's RP7 Draft Determination Response	<p>SONI acknowledges the approach used by the UR which allows for flexibility in the scope of expenditure beyond year 2 of the price control.</p> <p>SONI has been working closely with NIE Networks to develop a TSO/DSO roadmap. SONI welcomes the inclusion of allowances for the TSO/DSO interface. It is important that the scope, timing, resourcing, and funding for this work is in place for both SONI and NIE Networks</p>	<p>The UR would encourage the working relationship between the two system operators and the development of a TSO/DSO roadmap and interface. We also recently introduced new electricity licence conditions which require both SONI and NIE Networks Ltd (Transmission and Distribution) to produce a joint framework for digitalising and sharing data which will benefit customers and are aligned with stakeholders needs. This will enable the companies to jointly develop, adopt, maintain and publish and comply with a Digitalisation Strategy and Action Plan.</p>
4	SONI's RP7 Draft Determination Response	<p>Demand side measures including smart meters are a critical factor in understanding how electricity consumers will contribute to peak demand in the future. It is vital the roll out of smart meters is implemented to enable SONI to plan and operate the power system most efficiently and economically as we transition to a net zero energy system in Northern Ireland. A Smart systems and flexibility plan will be developed and is presently being consulted on – smart metering should be a key part of any flexibility plan.</p> <p>Demand flexibility has the capability to improve the adequacy of the electricity system by moving demand away from peak times and therefore reducing the need to invest in expensive generation plant. Smart meters are essential for the implementation of flexibility services and will ultimately reduce costs to the consumer.</p> <p>SONI is disappointed that NIE Networks has not been given approval to proceed with the smart meter rollout programme as yet. Smart meters will be key to enabling consumers to be active participants in the energy transition. SONI would welcome a clear view from the UR on the planned approach and timing for Smart Meters in Northern Ireland. We consider that NI customers should benefit from the additional flexibility that will come from smart meters that is experienced in other jurisdictions. One example is the demand flexibility service¹ that was utilised in GB over last winter.</p>	<p>The implementation of SMART metering remained too uncertain to include in our modelling and change mechanisms as RP7 progressed. Further licence modifications will be necessary to allow NIE Networks to finance any additional functions it might be required to undertake once decisions have been made and considered on this issue.</p>

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5	SONI's RP7 Draft Determination Response	<p>Many of the focus areas of the NIE Networks innovation projects (outlined on page 21 of Annex N - Innovation) are aligned with the focus areas (Strategic Innovation Programmes) identified in the SONI Innovation and Research strategy document. This alignment is encouraging and, at the same time, expected given the nature of the TSO and DNO/DSO roles, the collective ambition to achieve decarbonisation and the ongoing engagements between the two companies via the Whole System Innovation Working Group.</p> <p>In addition to the Whole System Innovation Working group, SONI and NIE Networks currently have ongoing activities, collaborations and mutual interests in the innovation space including Future system studies, Energy Cloud and Flexible connections related projects. Due to the continued interactions between NIE Networks and SONI, it would be vital that any flexible funding mechanisms for NIE Networks going forward are aligned to the funding mechanisms for SONI to ensure efficient realisation of new technologies and innovations.</p>	<p>It is encouraging that the system operator and asset owner focus areas are aligned. It is our view that both SONI and NIE Networks mechanisms are sufficiently flexible to promote future alignment.</p> <p>One area of difference is the timing flexibility to request funding, which is more adaptable for SONI. However, innovation projects are by nature designed to address forward looking needs rather than to respond to emergencies.</p> <p>As such, there should be no issue with SONI requests aligning with the RP7 re-opener windows if co-ordination is required.</p>
6	SONI's RP7 Draft Determination Response	<p>SONI notes that the RP6 allowance was £7.65 million and that RP7 baseline request is £8.8 million. However, the RP7 baseline allowance is only £4 million. This would seem to be at odds with the scale of the challenge associated with the energy transition over the coming years and the acknowledgement in the draft determination that “we are in a time of flux and new future ways of working will be required to hit the aims of the Northern Ireland Executive’s vision for the road to zero decarbonisation”.</p> <p>In the draft determination “NIE Networks have suggested that the RP6 programme will deliver c. £10.9m in savings in the RP7 period. NIE Networks has advised that they have been able to reduce the ex-ante RP7 capital request because of the investment in innovation”. SONI notes the positive outcome of innovation under RP6.</p> <p>SONI notes that the RP7 request for the Network Innovation Fund (NIF) is £10.3 million, however, the RP7 allowance is only £4 million. SONI also notes, however, that no formal price cap is being proposed. While this would seem to be at odds with the scale of the challenge associated with the energy transition over the coming years, SONI acknowledge the thought-process followed to reach a decision and support the proposal of no formal price cap. This provides scope for, as of now, unexpected novel innovation projects to be initiated within the RP7 period.</p>	<p>The baseline allowance is purely a reflection of the individual assessment of the innovation projects requested. It is not a commentary on the scale of challenge associated with the energy transition.</p> <p>It is however important to note that the RP6 approval set a firm cap on network innovation investment. No such cap is proposed for RP7 as we recognise that allowances may outstrip historic precedent.</p>
7	SONI's RP7 Draft Determination Response	<p>SONI welcomed the measures outlined in RP7, particularly in relation to vulnerable customers and supporting customers through the energy transition.</p>	<p>We welcome the broad support from SONI on the consumer measures detailed in the draft determination including those related to vulnerable customers and supporting customers through the energy transition.</p> <p>We have retained all the consumer measures and detail our approach to supporting vulnerable customers in Chapter 4 of the Final Determination Annex U and detail our approach to the energy transition measure in Chapter 5 of the Final Determination Annex U: Consumer Measures and Consumer Engagement.</p>
8	SONI's RP7 Draft Determination Response	<p>SONI explained that while they understand the need for and importance of targets and measures in consumer engagement, it is important that a proportionate, fair, and balanced approach is taken.</p>	<p>We note SONI's view.</p> <p>We consider that the Final Determination Annex U sets out a fair and balanced approach for the RP7 consumer measures and associated targets.</p>

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Number	Response Reference / Paragraph	Comments	UR Response
9	SONI's RP7 Draft Determination Response	<p>SONI notes the introduction of the Evaluative Performance Framework. From our experience of implementing a similar framework, we consider there is significant merit in having the proposed 'trial year' to allow all parties to ensure the process runs as expected and the guidance is workable in practice.</p> <p>The UR should ensure that adequate resourcing is accommodated in the price control to set up and run this new process. This should be in addition to any benchmarking based opex allowances.</p> <p>SONI notes that the guidance proposed for NIE Networks appears less prescriptive than the guidance in place under the SONI Price Control. SONI would like to engage with the UR to consider the EPF guidance that is currently in place for SONI.</p>	<p>Resourcing of EPF has been considered within FD opex allowances.</p> <p>The EPF guidance developed for NIE Networks is seen as appropriate for RP7 and while amendments have been made post DD consultation the overall shape remains relatively unchanged.</p> <p>Any engagement on SONI guidance sits outside the remit of RP7 price control but we will ensure our regulation colleagues looking after SONI are made aware of this request.</p>
SSE Airtricity			
1	SSE Airtricity's RP7 Draft Determination Response	<p>Whilst we understand the UR is seeking to ensure that they are protecting the interests of consumers, we would encourage UR to look at the longer-term costs associated with the current proposals.</p> <p>With a legislative requirement to meet net zero by 2035, a considerable increase in the installed capacity of renewables will be required to facilitate this. This price control period will therefore be essential in ensuring those targets can be delivered. Both NIEN and UR have acknowledged the need for significant reinforcement, but the proposals for this significant price control period are unlikely to go far enough.</p> <p>Encouraging the build out of renewables will rely on the infrastructure being there to support that build out. The pace of change to meet 80% renewables by 2030, and the net zero target, will require a substantial increase in the build out of new renewable assets over a very short period of time. Therefore, this price control period has to be able to facilitate the processing of necessary connection applications as well as planning and building out of necessary network infrastructure.</p> <p>In setting allowances for this price control period, we would ask the UR to review the mechanisms that will allow NIEN to innovate and deliver infrastructure needed to meet NI's renewable ambition. Ensuring that the network can accommodate renewables, reduce dispatch down levels below 5% will unlikely harm the investment environment in NI, and in doing so will help ensure that investors in renewable generation can better finance their activities through market mechanisms.</p> <p>We are not convinced that the current proposals will encourage the required anticipatory investment needed to accelerate the build out of future renewables. We would ask the UR to ensure that the allowances for development of network infrastructure are adequate to meet this future need. We would also request that the proposed mechanisms should be adapted such that they do not act as a barrier to anticipatory investment. The UR should look at how re-openers could be adapted to facilitate such network development where it is efficient to do so. In particular there will be a need to reinforce the network in parts of Northern Ireland where there is likely to be an abundance of renewable energy resources.</p>	<p>We have made provision for significant increase in expenditure on the secondary distribution system (11kV & LV). This increased expenditure will ensure the removal of low capacity conductors and transformers. However, we must remain realistic about the timeframe to complete these works and we expect the works to continue through RP8 & RP9.</p> <p>Investment to support secondary network reinforcement has increased significantly from RP6 and this is expected to deliver capacity increases in addition to those mentioned above. Furthermore, we have removed much of the regulatory involvement from this strand of funding which should allow NIE Networks to deliver what is required when it is required.</p> <p>In addition to the additional funding on the distribution system, we have also acknowledged the need for around £500m additional investment in the transmission system. This is not ex-ante funding and projects will be considered when brought forward by NIE Networks after scope and costing uncertainty have been determined</p>

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2	SSE Airtricity's RP7 Draft Determination Response	<p>SSE is of the view a change in mindset and demand patterns of end customers is needed during this price control. Such a change can support minimising the need for continuous grid reinforcement at the distribution level as customers electricity demands increase in line with electrification of heat and transport. The current Department for Economy consultation on Smart Systems details the Department's views that dedicated policy workstreams will be needed to determine the markets for demand flexibility. In our view the optimal way of moving customers from passive to active is through economic (and societal to a degree) incentives. This will require a large-scale investment in both reliable flexible metering that can signal to customers when to turn down (or indeed up in times of high renewable energy) alongside a dedicated education programme for end customers. This will support customers in comprehending the associated costs of the large-scale investment that is needed to upgrade the infrastructure and help Northern Ireland reach its Net Zero targets. This approach not only promotes a sense of ownership among consumers but also ensures that the investments made are directly contributing to the broader Net Zero and decarbonisation goals which the whole system will benefit from.</p>	<p>We welcome SSE Airtricity's comments and can confirm that, in the final determination, we have continued to support NIE Networks' roll-out of network monitors. These provide near real time data with respect to the conditions encountered on local networks. This improves the company's decision making ability regarding the need for capital investment or the use of active network management.</p>
3	SSE Airtricity's RP7 Draft Determination Response	<p>While we acknowledge the full cost and scale of Smart Metering programme is not yet known, SSE is disappointed that the Smart programme is not factored in to the Price Control, noting such costs will be forecast at this stage. We would strongly prefer that the final determination include indicative cost estimations associated with Smart rollout, using data available from ROI and GB Smart meter rollouts. This should also include a position on whether customers and suppliers can expect an accelerated programme for Smart or a BAU rollout, as the accelerated programme will give rise to sharper initial costs as a programme office and project are stood up. Alternatively longer-term rollout and replacement at end of life for legacy meters will result in costs associated with supporting multiple meters over a longer period of time.</p> <p>The rollout of smart metering in Northern Ireland is a critical step towards achieving net-zero targets and shaping the demand flexibility approach of the NI market, noting that NI is now an outlier relative to the rest of the UK and Ireland. However, the expedited development and deployment of smart meters will impose a financial impact on customers. It is our view that an indication of these costs is integral to be included in the Price Control for illustrative purposes, after which a dedicated cost recovery approach can be determined as actual costs of a programme are realised. Given the criticality of this programme we would urge NIEN and UR to initiate such a cost review in parallel with the DFE High Level Design of work that is ongoing at present.</p> <p>The role of Smart metering is also facilitative of innovation from suppliers to work collaboratively with NIEN and end consumers to deliver creative solutions that will drive flexibility and ultimately decarbonisation.</p>	<p>The implementation of SMART metering remained too uncertain to include in our modelling and change mechanisms as RP7 progressed. Further licence modifications will be necessary to allow NIE Networks to finance any additional functions it might be required to undertake once decisions have been made and considered on this issue.</p>
4	SSE Airtricity's RP7 Draft Determination Response	<p>SSE notes that the UR has a dedicated programme being put in place that will give rise to a number of requirements on Suppliers and the DNO. We note the UR has indicated in the Draft Determination that allowances have not been given for such consumer programmes. As a regulated supplier, SSE are concerned that not providing sufficient levels of funding for such programmes is setting an incorrect precedent for industry. Regulatory frameworks, such as the implementation of "Guaranteed Standards of Service" and the Best Practice Framework for vulnerability, are being mandated on industry. However, we are concerned that such UR mandated requirements are not being reflected in the DNO price control.</p>	<p>NIE Networks are subject to the UR Consumer Best Practice Framework which focuses on vulnerable consumers. We are also in the process of consultation on "Guaranteed Standards of Service" which will apply to NIE Networks.</p>

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5	SSE Airtricity's RP7 Draft Determination Response	<p>The forecasted impacts on domestic consumers, indicates a modest reduction in costs by approximately £3 by the end of the Price Control. However, this projection does not include the forecasted financial impact of two significant programmes which will deliver long term value to customers.</p> <p>Firstly, major transmission projects are on the horizon, which, while essential for modernising the grid and integrating renewable energy sources, which will influence the final customer impact.</p> <p>Secondly as indicated in the section related to “accelerating smart metering” an expedited development and deployment will also have a bearing on the final customer impact.</p> <p>However, both of these strategic investment programmes will deliver longer term benefits to consumers in the Net Zero transition. As such we urge the UR to move beyond short term cost minimisation to an approach that explains articulately to end consumers why large-scale investment is needed in the electricity grid. This requires a mindset shift from lowest cost to best long-term value that aligns to the NI energy strategy pillars.</p>	<p>The implementation of SMART metering remained too uncertain to include in our modelling and change mechanisms as RP7 progressed. Further licence modifications will be necessary to allow NIE Networks to finance any additional functions it might be required to undertake once decisions have been made and considered on this issue.</p> <p>The Utility Regulator are currently jointly carrying out the Electricity Connection Policy Framework with Department for the Economy. Through this avenue we are reviewing the suitability of the current connection policy framework in Northern Ireland while also exploring potential alternative options, including that of which would socialise connections in Northern Ireland similar to Great Britain.</p>
The Electric Storage Company			
1	The Electric Storage Company's RP7 Draft Determination Response	<p>We agree that “NIE Networks has a pivotal role in terms of 'keeping the lights on' ". But we would also suggest that they have an equally pivotal role in facilitating domestic and commercial consumers to efficiently and effectively make the transition away from fossil fuels to reduce carbon emissions as soon as possible within the few years remaining before 2030.</p> <p>NIAUR Draft Determination has weighed the short-term reductions in consumers bills too heavily in comparison to the need to enable NIE Networks to allow such consumers to access cheaper, greener electricity in the upcoming Control Period. In Strategic Context we would expect a strong message from NIAUR that the transition should be affordable, fair, inclusive for all and structured so that those consumers who reduce carbon via the take up of electrification of home services and business processes are encouraged.</p> <p>They need to be facilitated with affordable grid connections, rewarded for early adoption as their early reductions in carbon accrue every year from their adoption through to 2030. Their early contribution reduces the carbon reduction deficits that will accrue as other homes and businesses fail to adopt LCT. In NI, consumers are 'hanging back' from adopting LCT because they see no incentive to adopt, no meaningful progress on NI Energy Strategy and a short-term focus by Regulators and Legislators on network cost recovery as opposed to radically facilitating adoption of LCT.</p>	<p>UR has concluded in RP7 that, despite the uncertainty over future load projections, there is a need to begin long-term investment in strengthening our electricity networks now, accepting that some of this investment may be in advance of need.</p>
2	The Electric Storage Company's RP7 Draft Determination Response	<p>The NI Energy Strategy was declared in December 2021, Climate Change Act came into law June 2022. DfE was required from then to develop and publish sectoral plans. Your Determination states “How the strategy and sectoral plans are developed and implemented remains to be decided”.</p> <p>Has NIAUR adequately considered how they and NIEN could contribute to remediating the loss of 2, possibly 3 years, of the 9 years available to achieve an NI Energy Strategy?</p> <p>That Strategy itself recognises that Climate Action is overwhelmingly dependent upon a strong, flexible, intelligent electricity grid. As the impact of those lost years dawns on consumers they may legitimately ask “Why did NIAUR and NIEN not anticipate this in RP7, and make provision for more progress earlier, to make up lost ground?” The RP7 approach adopted by NIE Networks has been strengthened in terms of depth and ambition, compared to RP6. The decision to extend RP6 was unfortunate as RP6 was not fit for the challenge ahead but it will remain in place for yet another year, leaving only 5 years for RP7 to make it's impact on the energy transition. The entire process of RP determination needs to be revised to enable more ‘tacking’ across years, to push progress forwards and shorten development cycles.</p>	<p>We welcome these comments and can confirm that, in RP6, we determined funding that was designed to accelerate the building of network capacity to facilitate the future uptake of low carbon technologies.</p> <p>We determined amounts for</p> <ul style="list-style-type: none"> - Low Carbon Technology Mid-term review (£11.5m); - Green Recovery (£43.7m); and - RP6 extension year LCT specific (£41.3m) <p>In addition to the above we also allowed £140.5m for transmission projects to increase system capacity or capability</p>

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3	The Electric Storage Company's RP7 Draft Determination Response	<p>We agree with NIEN's EV approach. On Heat Pumps we would suggest that the plan forecasts are too high for uptake. Our direct experience is based on the NI, GB and German markets along with direct feedback from users/installers and landlords. The technology, while mature, is not cheap or easy to install, difficult for users to understand and operate and extremely unsuited for retro fit. Enthusiastic customer adoption would be a prerequisite to achieving the steep rise envisaged in NIEN forecasts.</p>	<p>To reflect this uncertainty, we tested the sensitivity of bill impact assuming 75% of anticipated EV uptake and 50% of anticipated HP uptake. We also changed the basis of funding for secondary network reinforcement from ex-ante lump sum to volume driven because of the uncertainty of LCT uptake. The funding model in the final determination allows NIE Networks to undertake whatever works are necessary (up to a cap) and consumers will only pay for the works undertaken.</p>
4	The Electric Storage Company's RP7 Draft Determination Response	<p>Flexibility First is a sound approach. Our direct experience in other markets and NI shows evidence that private capital, both domestic and commercial, is willing to invest in LCT. The provision of flexibility from those privately financed assets is treated as a 'free' resource' under the NIAUR approach and therefore does not encourage adoption of LCT. An ancillary benefit is that by encouraging/incentivising customers to provide flexibility, you are enabling access for SONI to also avail of such flexibility.</p> <p>Speaking as a successful bidder for the FLEX tender we fully support NIEN in their 'further, faster' approach. The Girona Project demonstrated how social housing could directly benefit from providing FLEX services. However we feel NIAUR should be seeking to encourage NIEN to revise its approach to date such that providers of clean, digitalised FLEX services are scored at a higher level during the tender process than those using dirty fossil fuels to earn FLEX revenues. Such perverse incentives are inherently detrimental to Net Zero strategies and are rarely digitalised and therefore incapable of smart integration.</p> <p>If a commercial or domestic customer is willing, and self-financed, to invest in LCT with FLEX capability this should be encouraged, with the requisite NIE Networks investment prioritised and fast-tracked. This would ensure more carbon is removed earlier and able to accrue through a longer run into 2030, benefiting all of us. Such an approach introduces more investment into the Energy Transition. This creates a virtuous circle. As more private, appropriately digitalised, LCT investment is achieved it then, in turn, facilitates more resilient networks through provision of more FLEX capability. We know from our clients that there is considerable, pent-up demand for digitalised LCT deployment via commercial and domestic customers who want to participate in network services.</p>	<p>We welcome these comments and can confirm that, in the final determination, we have determined amounts to enable NIE Networks to develop flexibility markets on both primary and secondary networks. Furthermore, we have provided financial incentives for the company to defer capital expenditure if new flexibility markets are developed on the primary network.</p> <p>We will use RP7 as a learning environment for the development of secondary network flexibility and review our approach in RP8</p>
5	The Electric Storage Company's RP7 Draft Determination Response	<p>NIEN has proposed an Innovation Council. This is a highly commendable start down the inherently uncertain path of how best to leverage as many talents as possible to deliver rapid, effective innovation for cheaper, greener and smarter electricity.</p> <p>Based on our own 7 years experience in precisely this space, across NI, Republic of Ireland, GB and now Germany we regret to say we must describe the UR response as very disappointing. Under the current UR dispensation we appreciate your need to be mindful of cost to consumers however, Innovation requires risk to be embraced. Innovation is predicated on the existence of uncertainty. UR are, perhaps unwittingly, deterring and delaying urgent and vital innovation by being overly cautious over £4m. Our direct, current experience in the German market can evidence how data analytics has enabled adoption of LCT, reductions in bills for consumers and driven further innovation.</p> <p>When we see UR strike out NIEN efforts to use data analytics we are surprised and disappointed for the future of innovation in electricity networks and in regulation. UR have not adequately recognised the intent and merit in NIEN Innovation Council. We would strongly encourage UR to be engaged and more supportive so that an Innovation Council gets off to a strong start and is challenged to prove it's worth. "The journey towards net zero has started and requires a revolution in how we use and generate electricity" We agree with this sentiment wholeheartedly. Revolutions need radical approaches in all aspects of the change. What about the regulatory process itself? Is it fit for the journey towards net zero?</p>	<p>We are not proposing to mandate this activity. As set out in the draft determination, we think the proposal lacked key information on the Innovation Council roles, independence, terms of reference etc.</p> <p>NIE Networks is however free to pursue this if it considers it the best way to develop their innovation plans going forward.</p> <p>If the Council is not progressed, we would as a matter of course expect NIE Networks to demonstrate how it is developing its innovation plans, partnerships and strategies.</p> <p>In terms of the data analytics project, we are fully supportive of the work to improve utilisation of information. However, it is our opinion that the data analytics work already forms part of the IT request. We also see limited benefit in conducting trials on a system that is not in place.</p>

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1	TLI Group's RP7 Draft Determination Response	<p>In the past NIE Networks and their associated supply chain has operated in a relatively stable environment with demand/cost forecasting. However, in the past number of years, the impacts of Brexit and the Ukraine War, have inflated costs beyond anything that could have been reasonably predicted. In the current economic environment, we are operating in an industry that has real price effect or inflationary challenges, as demand for skilled resource exceeds inflation allowances due to the industry labour and skills shortages. This necessitates the requirement for investment in training and recruitment of both local and foreign resource as detailed above. We would respectfully request that careful consideration is given to this when determining the final position on RP7.</p> <p>We see this as a major challenge to the delivery of the required works programmes and are currently envisaging costs to continue to rise for both the recruitment and retention of the resources required for the delivery of RP7. As a business, we are happy to invest and are wholly committed to the delivery of RP7 and the required facilitation of the path to net zero energy in upgrading both the transmission and distribution networks which in turn will provide the required network capacity for all customers in line with National policy.</p>	<p>We welcome TLI's thoughts on these issues. Allowances has been revised significantly in the final determination.</p> <p>There is no RPE mechanism included in the RP7 licence modifications. However, we have committed to undertaking a separate consultation to implement some form of true-up for RP7.</p>
Translink			
1	Translink's RP7 Draft Determination Response	<p>Translink have ambitious plans to reduce carbon emissions by 50% by 2030 and to be net-zero by 2040. These plans align with the Climate Change Act (Northern Ireland) 2022, Programme for Government, Green Growth Strategy and DEARA's carbon budget targets etc. To deliver our plans, which include transitioning to an electric bus and train fleet, upgrading our buildings and micro-generation of green energy, we will consult, collaborate and partner with a wide range of stakeholders including NIE.</p> <p>To facilitate the above we require an electricity network with sufficient capacity and flexibility to accommodate the LV and HV connections we will require across Northern Ireland. These include but are not limited to:</p> <ul style="list-style-type: none"> •Rail Electrification - 5no. 20MW connections supplied from the 110KV transmission network. •Bus EV Charging - 40no. connections totalling 42MW to enable charging of 1400 buses. •Micro-generation of renewable energy – network wide connections to enable power to be exported to the grid from proposed wind and solar installations. <p>NIE's proposal to invest in the electricity network in advance of the need is to be welcomed as it creates the foundation for Northern Ireland's journey towards net-zero, will facilitate a more efficient use of the electricity transmission system and provide households and businesses with the infrastructure that will allow them to make use of new greener technologies.</p>	<p>We welcome Translinks' comments and can confirm that, in the final determination, we have allowed significant sums to enable NIE Networks to add capacity to both the transmission and distribution networks.</p>
2	Translink's RP7 Draft Determination Response	<p>We note the level of proposed Capex reduction and would have concerns that this could impact on the establishment of an electricity network capable of delivering for existing and future customers. To invest in the delivery of a robust and flexible electricity network suitable for societies future needs, NIE must be confident that the available funding is sufficient to account for foreseeable risks and issues e.g. unprecedented inflation, material shortages and lead in times etc</p>	<p>After significant engagement with NIE Networks post draft determination, we have made adjustments to the quantum of capex allowances which will allow the company greater flexibility to deliver a more robust network.</p>
3	Translink's RP7 Draft Determination Response	<p>We welcome the uncertainty mechanism which could facilitate additional investment if the assumptions upon which the determination is based are incorrect e.g. a greater uptake of electric vehicles or air source heat pumps. However, the ability of the Utility Regulator to trigger the same mechanism to reduce the level of funding, should the assumptions be incorrect, could discourage pro-active investment in the network by NIE and result in a backwards movement to a reactive investment approach.</p>	<p>Following significant engagement with NIE Networks post draft determination, we have made adjustments to uncertainty mechanisms which will allow the company greater flexibility.</p>
4	Translink's RP7 Draft Determination Response	<p>We note that the transmission network investment (D5) has not been approved at this time and that NIE will have to formally apply for this funding at a later stage. We would encourage a review of this funding application process to be undertaken to ensure that it enables the assessment and approval of applications to be made in a timely manner to facilitate required transmission network upgrades.</p>	<p>Given the uncertainty of scope and cost we believe the best protection for consumers is the D5 mechanism. This means that funding can be determined after pre-construction and procurement works have identified a defined scope of works and associated cost estimate.</p>

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5	Translink's RP7 Draft Determination Response	At a time when technology is changing at a significant rate, investment in innovation has never been more important to ensure the electricity network is fit for purpose. The proposal to reduce the innovation budget appears to be a backward step in this regard. As a minimum, we would recommend that the proposed mid-point reopener mechanism is changed to an annual mechanism to minimise delays in initiating new innovation projects.	In the past RP6 approval we set a firm cap on network innovation investment, we can confirm that no such cap is proposed for RP7, so there is the possibility that in the future the innovation budget may increase beyond what NIE has originally requested for. Regarding the mid-point reopener mechanism we have increased flexibility by introducing three NIF re-opener mechanism windows in RP7.
6	Translink's RP7 Draft Determination Response	To enable the planning, design and delivery of the step change in investment proposed NIE will need to be appropriately resourced. Given that recent benchmarking has confirmed NIE's ability to deliver efficiently we would be concerned that the proposed reduction in revenue funding would impact on the ability of NIE to deliver the proposed network upgrades and associated network connections in a timely manner	The capex scalar has been updated in the final analysis to make full provision for support staff associated with network investment. This should provide NIE Networks with all the necessary operational expenditure to deliver the allowed capital programme outputs.
Ulster Farmers Union			
1	UFU's RP7 Draft Determination Response page 2	<p>In the last 6 months the UFU have responded to two significant and innovative bodies of work; Review of Connections Policy Call for Evidence and NIE Networks Flexible Connections. However, there has been no further update and we would urge that these bodies of work are expedited and we would urge that these are considered alongside RP7.</p> <p>Review of Connections Policy Call for Evidence – In September 2023, the Utility Regulator and DfE sought stakeholder evidence to assess potential changes to the current grid connections policy framework in NI, in order to establish the costs and benefits of potential changes. Currently in Northern Ireland, for both demand and generation connections, all reinforcement costs at the same voltage level as well as one voltage level above that of the connection voltage are charged to the customer, which is known as “deep” charging.</p> <p>UFU are supportive of a move away from the deep charging connection and to a shallower regime on a par with that recently introduced in GB. The UFU envisage that a lower proportion of connection costs would be paid by the connecting party, in other words address the bane of ‘developer pays’ and associated high connection costs.</p> <p>NIE Networks Flexible Connections – NIE Networks sought responses on flexible connections in August 2023. Flexibility services are a range of existing and developing solutions that electricity system users can provide to help balance demand and supply in the electricity network and support its efficient use. Local demand customers will benefit from flexible connections, but we raised our concerns about the introduction of a dynamic electricity pricing system, with peak and off-peak prices and the impact on farmers in their position as local demand customers.</p>	The Utility Regulator are currently jointly carrying out the Electricity Connection Policy Framework with Department for the Economy. Through this avenue we are reviewing the suitability of the current connection policy framework in Northern Ireland while also exploring potential alternative options including the further socialisation of connection costs.
2	UFU's RP7 Draft Determination Response page 2	<p>UFU welcome the UR's acknowledgement of the need for increased investment in the electricity network to facilitate the journey to net zero and to continue to deliver reliability/resilience against the backdrop of what is an ageing network. Specifically we recognise the £1.349 billion to be spent on capital expenditure, which includes investment in the distribution and transmission networks and metering work.</p> <p>Whilst, the UR have determined a lower figure than NIE Networks requested, the UFU recognises that the UR is by no means proposing that the company delivers less. This is reinforced by the statement that the draft determination has been made to enable NIE Networks to deliver the investment to facilitate the energy transition.</p> <p>Crucially looking beyond RP7, the UFU welcome the commitment from the UR that increased investment planned for 2025-2031 is expected to continue for at least two further price control period, which would be RP8 and RP9, reflecting the commitment to meeting net zero obligations.</p>	We welcome UFU's comments

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3	UFU's RP7 Draft Determination Response page 3	<p>The one question posed by the UR in their Draft Determination related to NIE Networks basing its central estimate of new demand on the connection of 300,000 electric vehicles and 120,000 heat pumps by 2030. UFU concurs with NIE Networks that demand for electrification will rise substantially as heating and transport undergo transformational changes. Yet at the same time, the LV network will also need to accommodate conventional connections, namely in the form of farming enterprises wishing to evolve and adapt their energy use, not necessarily small scale renewables, but more energy efficient methods of on-farm production as well as the conventional energy use upon which they rely.</p> <p>The backdrop of an ageing network must be considered with the increasing demand on the LV network which our members rely. The farming community is adamant that the network must be invested in now to ensure that our farm business are able to function to their optimum capacity on a day-to-day levels but also to enable them to integrate small scale renewable energy generation/low carbon/energy efficient technology into their businesses.</p>	<p>The specifications for both HV and LV overhead lines call for the removal of low capacity conductors. Our RP7 determination provides funding for this but we are aware that funding will need to continue in RP8 and RP9 to effect the completion of the programme of works. We have also provided funding for secondary network reinforcement which will allow certain parts of the network to be upgraded in advance of the refurbishment cycle. Furthermore, we have allowed funding for network to be upgraded beyond current specifications where load analysis dictates.</p>
4	UFU's RP7 Draft Determination Response page 3	<p>DfE Energy Strategy</p> <p>From a policy perspective, what is clear is that is impossible to speed up energy transition. What is imperative that you need a strong, clear and stable energy policy to incentivise and encourage investment.</p> <p>The Northern Ireland Energy Strategy – The Path to Net Zero Energy was published in December 2021 and is moving at a very slow pace, which is a grave concern. We are just over 5 years away from 2030 with no indication whatsoever as to what support may be available to assist in the uptake of adopting renewable generation by our members.</p> <p>However, unless there more transparency especially in terms of progress, in energy strategy, a change of thinking in how we connect to the grid, grid design and how they operate, including the mandate of the Utility Regulator. Failure to do so means we are facing a situation where we could fall short of the renewable energy targets we are being asked to meet by 2030.</p> <p>We need to focus on support for small scale renewables, or specifically, no support for any small scale generation in Northern Ireland and unfortunately this has been the case since 2017.</p> <p>The message from the Ulster Farmers Union is that land-based sector is ready to play our role in energy transition, through the further adoption of renewable energy generation and driving energy efficiency on our farms. DfE have cited energy transition as being the biggest boost to economic development in the last 150 years, yet if some in industry are to be taken at their word, we are already losing the race and if that this muddled projection of energy policy persists, we will lose the race altogether.</p>	<p>We welcome UFU's thoughts on these matters and that it stands ready to play its role in the energy transition.</p>
5	UFU's RP7 Draft Determination Response page 4	<p>The UFU are of the opinion that network reinforcement allowances should be set ex-ante. This would provide sufficient certainty to allow anticipatory network investment where appropriate. The UR secondary network reinforcement (c.£100m) allowance is almost entirely set as a volume driver (in other word not ex-ante). This proposed volume driver carries a risk of annual disallowances following a UR review. This is a reactive approach to network investment and one that the UFU have previously questioned. Such an approach will disincentivise anticipatory investment and will negatively impact upon supply chain certainty.</p>	<p>We introduced a volumetric approach to secondary network reinforcement allowance to further protect customers from funding windfalls to NIE Networks in the event that expenditure did not materialise. The volume driven approach allows NIE Networks to deliver what is required when it is required with minimal regulatory involvement.</p> <p>Furthermore, we have not introduced any new claw back mechanisms and will stay committed to the Demonstrably Inefficient/Wasteful Expenditure mechanism introduced in RP5. We will continue to monitor the company against its utilisation reports to be submitted annually as part of the Regulatory Instructions and Guidance (RIGs)</p>

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6	UFU's RP7 Draft Determination Response page 4	<p>In their submission, NIE Networks requested £8.8m ex-ante funding for 11 defined innovation projects. According to NIE Networks, the backdrop to this is £6.6m of RP6 innovation funding led to the release of £25m in customer savings in RP7.</p> <p>Network Innovation Fund (NIF) operates as an annual reopener mechanism, so as to release additional funding for other projects, including whole system projects, which materialise throughout the period. The level of detail and justification required by the UR in certain instances is not commensurate with the business case of typical innovation projects. In such instances, much of the detail only becomes available during once a project is completed. There is limited risk to customers, as any underspend in the proposed mechanism is passed back entirely to customers.</p> <p>The UR Draft Determination is proposing a significant reduction in ex-ante allowances of £4.7m, with only one mid-point reopener provided. One re-opener does not provide sufficient agility to respond to the speed of innovative projects. The UFU are concerned that that in a worst case scenario, a potential project could have to wait for 3 years before a cost recovery option becomes available.</p> <p>UFU Request that there should be an increase in allowance for defined projects and for the increased frequency of reopeners. Thereby acknowledging the need to respond in reasonable timescales to innovation proposals.</p>	<p>We disagree with the level of detail not being proportionate. The criteria proposed for assessing innovation is similar to that proposed by both NIE Networks and Ofgem. We have however reflected on specific NIE Networks comments and reduced some of the obligations around audit trails for costs / benefits etc.</p> <p>In terms of framework agility, this is no longer a concern given increased NIF flexibility, retention of the 50:50 mechanism and potential to ask for new projects on a retrospective basis.</p>
7	UFU's RP7 Draft Determination Response pages 4 to 5	<p>With c.40,000 farms throughout Northern Ireland, our members are reliant upon the LV network and lines. If you consider the fact in Northern Ireland there is approximately 3.5 times more overhead line per customer than the average Distribution Network Operator on the UK mainland, this illustrates the importance of a resilient, modern and fit for purpose electricity network being available to all our members. Many of our members would be termed WSC such is their rural location, hence we have a vested interest in this matter.</p> <p>NIE Networks in their Submission requested £3m to improve Worst Served Customer performance and for severe weather allowance to be moved from an ex-ante allowance to pass through.</p> <p>The UR in their DD paper did not agree to any allowance for WSC, instead suggesting that this should be accommodated within the overhead line investment programme. Secondly, UR set severe weather as an ex-ante based on an historic run rate.</p> <p>There is no allowance for specific WSC benefits. Subsequently, the UFU are concerned that this section of our membership will be left behind in the energy transition if not specifically targeted.</p> <p>Severe weather is entirely outside of our control and whilst it is part and parcel of farming, it is becoming more prevalent, therefore we consider it unreasonable to set this as ex-ante, with unreasonable risk for our members.</p> <p>On account of the rural geographical location of our membership, we are asking for an allowance for WSCs and also that severe weather should be set as a pass through cost.</p>	<p>We agree with this point. During our engagement with NIE Networks, the company provided additional information to justify its request for worst served customer (WSC) funding. We were convinced by the new information that our draft determination of disallowing all funding required revision. The main reason for our re-evaluation was that NIE Networks is required to carry out certain works that would not be included in the allowances for 11kV rebuild.</p> <p>We are of the opinion that allowing the funding requested together with a reporting regime to measure the number of Worst Served Customers is a relatively low risk and will provide valuable learning for RP8. To this end the funding request has been accepted along with the associated 50% WSC reduction target.</p> <p>In terms of severe weather, it is not entirely certain why the UFU consider that an ex-ante allowance would pose an unreasonable risk for their members. Our proposal actually shares the risk between DNO and consumer, whereas the company suggestion would unfairly impose all risk on the consumer.</p>

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8	UFU's RP7 Draft Determination Response pages 5	<p>When a new development is built under a line, NIE Networks will raise the line above the development in order to keep it out of safety distances. However, based on first-hand experience we now know that this option, whilst least cost, can result in significant bird fouling issues for our members farms, as well as posing safety concerns if the line were to fall during increasing instances of severe weather.</p> <p>In their RP7 submission, NIE Network proposed that instead of raising lines, they are diverted around the building or undergrounded, with the costs being socialised across all customers. The problem lies in that it is extremely difficult to forecast the overall cost of this change of approach. This is because each jobs price can vary significantly and the number of developments that will build under lines in RP7 is unknown. Consequently, NIE Networks requested that the cost of this change of policy would be via a 'pass through' mechanism under the Non-Recoverable Alterations (NRA) allowance.</p> <p>The Utility Regulator has not accepted the pass through mechanism and not allowed for any additional allowances to cover this change of policy. UFU is concerned that without a change of policy, bird fouling issues will be deferred to a list of issues which will need to be addressed at a later date. UFU request the UR provides a pass through mechanism to cover additional costs associated with this change of policy.</p>	<p>For the final determination, we have increased the allowance as we agree with the change in approach to non-recoverable alterations. However, this cost area will remain as a lump sum ex-ante allowance. We remain of the view that this works programme is not suitable to be treated as pass-through for the following reasons:</p> <ul style="list-style-type: none"> •It would remove the company's incentive to keep costs to a minimum. •It would remove the company's incentive to keep activity to a minimum i.e. ensuring alterations are only carried when technically necessary. •It would be difficult to scrutinise costs to ensure they accurately reflect actual works carried out under this programme, given the range of activities that could be undertaken which are similar to other works carried out under other programmes. In contrast, the costs incurred in other areas being treated as pass-through, such as business rates and licence fees, can be directly and simply evidenced by the bill provided by the charging party.
Unite			
1	Unite's RP7 Draft Determination Response, para 3.2, p4	<p>In the draft determination, it is stated that 'whilst, on occasion, we have determined a lower figure [of investment] than NIE Networks requested, we are not proposing that the company delivers less, or that this will affect the journey to net zero'. There is no explanation or justification for this statement. It is difficult to understand where restrictions on either CAPEX or OPEX will not either result in corner-cutting in delivery or in delays or even a failure to bring forward necessary investment in updating and improving infrastructure, systems or in facilitating the transition to a low-carbon economy.</p>	<p>Our analysis of NIE Networks' submissions is based on historical outputs and associated unit costs. Identifying unit costs which, in our opinion, are higher than needed gives us the ability to reduce funding but keep the outputs proposed by the company.</p>
2	Unite's RP7 Draft Determination Response, para 3.3 - 3.4, p4	<p>The uncertainty expressed by the Regulator in the draft determination regarding anticipatory investments and on uptake of low carbon technologies/renewables generating capacity is not justified and represents a failure of ambition to facilitate the scale of change needed to deliver a just transition for our society and economy. The draft report expresses uncertainty over the target of 300,000 EVs by 2031 – when the reality is that every car in the 2040s will be powered by electric. Rather than doubting the possibility of such change, it is essential to facilitate the frontloading of investment in infrastructure and network necessary to facilitate that transition.</p> <p>The approach taken by the Regulator is to attempt to link investment targets and allowances to uptake of renewables going forward. While this approach belies a lack of forward-planning (with the aim of up-front investment inducing or stimulating change), there is little clarity or assurance that timely and fair mechanisms exist to allow limits on expenditure to be lifted in the face of unforeseen uptake. There is also no consideration of the delay in investment and need for extensive lead-in times.</p>	<p>We have made provision for significant increase in expenditure on the secondary distribution system (11kV & LV). This increased expenditure will ensure the removal of low capacity conductors and transformers. However, we must remain realistic about the timeframe to complete these works and we expect the works to continue through RP8 & RP9.</p> <p>Investment to support secondary network reinforcement has increased significantly from RP6 and this is expected to deliver capacity increases in addition to those mentioned above. Furthermore, we have removed much of the regulatory involvement from this strand of funding which should allow NIE Networks to deliver what is required when it is required.</p>
3	Unite's RP7 Draft Determination Response, para 3.5, p4	<p>There is a substantial difference in the proportion of planned CAPEX which has been agreed under RP7 and the proportion of planned OPEX. This poses a genuine concern that there is 'money for new kit' but not the 'money to install that kit'.</p>	<p>This differential would be expected. As per the Ofgem approach, an increase to the capital programme will affect closely associated indirect roles. It should have either no or limited impact on business support costs, office costs or IMFT expenditure. This is the reason for the difference in proportional changes.</p>
4	Unite's RP7 Draft Determination Response, para 4.2, p5	<p>Distribution IMFT costs have been capped at £102.8 million – which amounts to £17.1 million a year on average which is less than the average distribution IMFT for RP6 which was £17.6 million. It is hard to reconcile how distribution IMFT OPEX will fall if distribution CAPEX increases by 72%.</p>	<p>It is not clear how these figures have been derived. However, the distribution IMFT allowances are increasing in the final analysis.</p> <p>As noted above, IMFT and business support costs are mostly unimpacted by the increased capital replacement and reinforcement programme. We have however allowed for material increases to the CAI costs to accommodate the larger capital investment programme.</p>

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Number	Response Reference / Paragraph	Comments	UR Response
5	Unite's RP7 Draft Determination Response, para 5.1 - 5.4, p5	Harsh limits imposed on OPEX on Inspections, Maintenance, Faults and Tree Cutting and on indirect OPEX runs not just contrary to the evidenced case made by NIEN but even by arguments by UR in its own Annex D. NIEN requested an uplift of only £9.7 million on tree cutting costs over the period of RP7. This amounted to an extra £1.6 million a year. The justification for this was increased temperatures and growth rates of trees, a transition to a 2-year cutting cycle instead of 3-year due to identified live zone infringements, additional LV tree cutting in the period and dealing with commercial plantations	We did not find the arguments for increasing the tree-cutting activity to be compelling or in line with other companies' approach. This issue is discussed further in the bottom-up cost review section in Annex D. However, the RP7 final determination has made some provision for increased tree-cutting expenditure.
6	Unite's RP7 Draft Determination Response, para 5.7, p7	There are clear health and safety concerns for such unjustified constraints on the budget for tree-cutting.	Not approving additional activity should have no impact on health and safety concerns. As a reasonable and prudent operator, it is of course for NIE Networks to ensure that existing activity is conducted to the appropriate safety standards.
7	Unite's RP7 Draft Determination Response, para 6.2, p7	The benchmark applied to all providers is that they deliver on the efficiencies of the upper quartile of providers. However, NIEN already achieve this with a relative and consistent overperformance against the upper quartile of GB distribution network operators – up to 25.9% in some delivery models. The company has made the case for this relative success to be factored in fully into the limits to expenditure set. Unfortunately, this was not adopted by UR who has instead sought to recalculate the company's efficiencies (which is tantamount to moving the goalposts).	We do not consider our approach to be 'moving the goalposts'. As noted by the regulatory precedent, uplifting costs to the UQ is not automatically guaranteed. We have considered the scope differences as set out by NIE Networks in their consultation submission and do not consider that the uplift requested is fully justified by the new activity.
8	Unite's RP7 Draft Determination Response, para 6.4, p8	In their recalculation of the efficiency factor, UR applied an apparently arbitrary 50% is due to scope differences in provision. There is no explanation of where this figure came from	Whilst we accept that the 50% was arbitrary, assuming 100% uplift due to scope differences without evidence would be more problematic. Without verification, such an approach would result in an outcome that systematically overstates NIE Networks required costs. We have moved to 100% uplift following detailed justification having been provided.
9	Unite's RP7 Draft Determination Response, para 6.4, p8	UR choose to use the substantially lower scalar used by Ofgem to calculate IMFT&I rather than that determined by NIEN and based on the specifics of the situation in Northern Ireland.	This issue has been fully addressed in the final determination and our final position (£9.4m/a) is actually in excess of NIE Networks revised request (£8.4m/a) following the draft determination consultation response.
10	Unite's RP7 Draft Determination Response, para 7.1, p8	It appears clear that OPEX has been viewed as an area where total expenditure can be limited – resulting in lower operating costs. There are detailed arguments presented in the draft determination to justify this approach but in the main these argue for a bottom-up approach which seeks to avoid expenditure unless evidence suggesting its necessity has been presented. This approach fails to recognise the specificities and contingencies which often contribute to disproportionate operating costs.	The purpose of the bottom-up approach is to recognise the local particularities and issues affecting NIE Networks. We consider that adopting both a top-down and bottom-up assessment ensures that specific NI issues are addressed appropriately.
11	Unite's RP7 Draft Determination Response, para 7.3, p9]	In addition to such concerns for health and safety and workforce well-being – the lack of INDIRECTS allowed will impact the ability of NIEN to bring forward plans for a significant increase to staffing levels to deliver IMFT and indirect activities.	We have provided a significant uplift for IMFT&I costs from the draft to the final determination by virtue of the change to the indirect scalar and other modelling / bottom-up amendments. We would further note that the indirect scalar has been properly applied in the final determination. This should ensure that NIE Networks has the entire funding available to complete all the increased capital programmes and outputs.
12	Unite's RP7 Draft Determination Response, para 8.1 - 8.2, p9]	Unite the union is very concerned that the proposed real price effects (RPEs) calculation ignores the requirement for specialist labour. For NIE Networks to meet the 2030 renewable targets being set by the Northern Ireland government it needs to be able to grow its skilled workforce by offering competitive salaries. NIE Networks can't do this without the provision for specialist labour within the RPE calculation.	Whilst this is a risk, we are of the view that such an approach would be asymmetric without consideration of all DNO staff roles. We would further note that NIE Networks is proposing significant efforts in upskilling new staff, which we are fully supportive of. Whilst the business plan forecasts significant labour and staff number increases in absolute terms, NIE Networks are indicating that the unit cost per FTE will actually fall in real terms in RP7.

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13	Unite's RP7 Draft Determination Response, para 9.4, p9]	Unite believes that a more realistic annual productivity target of 0.5% should be set for the RP7 period. This is being requested to reflect the annual price control inflation adjustment being reduced from RPI to CPIH during RP7.	Such a target would be at the low end of E&Y estimates and below that which NIE Networks itself believes it can achieve. We do not think such a target to be appropriate as it would most likely lead to higher consumer bills than ultimately necessary.
14	Unite's RP7 Draft Determination Response, para 9.4, p9]	Unite also believes that the productivity target should be discontinued from the end of RP7.	We can see no justification for such a policy. It is certainly likely that expected productivity gains may change over time. However, it would not seem appropriate for monopoly service providers to retain all the financial benefit of productivity gains to the detriment of consumers.