



**Response by Energia to Utility Regulator
Consultation**

Draft Forward Work Programme 2025/2026

26 February 2025

1 Introduction

Energia welcomes the opportunity to respond to the Utility Regulator's (the UR) Draft Forward Work Programme 2025/2026 (FWP). This FWP provides Energia with valuable insight to the UR's intentions for the coming years and facilitates preparation for developments in the regulatory environment. Furthermore, this engagement is an important constructive exercise which invites industry stakeholders to provide feedback to the UR's FWP, Energia's feedback is provided in this response.

This response highlights Energia's concern at the timeline provided for a firm access review in Northern Ireland and the need for the UR to expedite this workstream. This response also emphasises the need for the UR to first consult on a methodology for assessing an interconnector cap and floor regime and that consideration of applying any such regime should be consistent with the UR's statutory duties taking NI-specific circumstances and grid constraints into account, including the recently announced further 3-year delay of the second North-South tie-line.¹ Energia also highlights the need for measures in the FWP to address dispatch down of renewables in Northern Ireland, including the acceleration of LDES procurement. Additionally, we seek clarity on a number of the strategic objectives outlined in the FWP.

Finally, it would be beneficial for stakeholders to understand what is in the SEMC FWP that is not identified in the UR FWP. Transparency on this would enable interested parties to make a more informed response to the UR FWP.

2 Consultation Response

2.1 Need for Expedited Firm Access Review

Energia is extremely concerned about the timeline provided in the FWP Strategic Objective 1.5 for a review of firm access policy. A review of firm access policy should be an accelerated priority workstream for the UR. The intention to wait until 2026-2027 to begin such a review is untenable in the face of the sustained levels of dispatch down in NI and the further (recently published) 3-year delay to the second North-South Interconnector until October 2031. Energia is aware Renewable NI have written to the UR on this issue and fully support Renewable NI's position.

Northern Ireland is facing unsustainable levels of dispatch down with figures averaging over 29% for 2024, reaching above 40% in some months, and continuing into 2025. These figures pose a challenge to wind projects in Northern Ireland. We have seen SONI recognise this challenge and take a proactive positive step with the implementation of their dispatch down action plan. The UR should support SONI on this and demonstrate a commitment to the energy transition by prioritising a review of firm access policy to ensure the regulatory environment supports renewable build out.

Firm access enables a wind farm to receive market-based compensation to help mitigate a portion of the negative financial impacts of dispatch down by compensating those units instructed to turn down, and under Article 13(7) this should be full compensation. However, current policy linking firm access to Associated Transmission

¹ Energia notes that both Ofgem and CRU consulted on their respective methodologies for assessing interconnector cap and floor regimes.

Reinforcements (ATRs) is not fit for purpose and subjects a project's firm access status to timelines that are open ended completely outside a developer's control.

Energia believes there should be certainty provided to developers and a guaranteed timeline granting firm access, regardless of actual ATR completion which is a risk outside of the developer's control.

Current firm access policy will lead to a failure for NI to achieve an 80% indigenous renewable share in electricity production or would require more capacity at greater cost to achieve those output levels and puts at risk the achievement of net-zero. It also means that power prices will remain higher than they should and thus challenges the UR's corporate strategy to "protect consumers on the way to net-zero" as it is of detriment to renewable buildout in Northern Ireland.

2.2 Need for Consultation on Interconnector Cap and Floor Assessment Methodology

The FWP identifies interconnection regulation under Strategic Objective 2.2 with a Q1 deliverable of assessing the need for interconnection and associated subsequent need for a Cap and Floor regime for LirIC. A crucial step appears to be missing and that is the need for the UR to first consult on the methodology used to determine if a Cap and Floor regime is appropriate, recognising that the UR has never assessed a Cap and Floor regime for an interconnector before². Both Ofgem and CRU consulted on their methodologies for a Cap and Floor regime and Energia is strongly of the view that the UR should do likewise in line with best regulatory practice.

Energia's view is that the methodology should incorporate a broader scope than just Socio-Economic Welfare, including but not limited to impacts on consumers, constraints and dispatch down. Preliminary analysis shows that the further interconnection to GB without the construction of the second North South interconnector (NS2) would lead to catastrophic levels of dispatch down in Northern Ireland, and in our view any assessment of further interconnection to GB should be conditional upon construction of NS2.

The impact of additional interconnection is likely to exacerbate the issue of dispatch down of renewable assets in NI thus causing direct financial implications for consumers in the form of compensation payments and jeopardising NI's ability to meet its legally binding 80% target for renewable electricity. It is imperative these points are considered in the methodology and that it is fit for purpose given NI's specific context.

2.3 Need for Measures in the FWP to Address Dispatch Down of Renewables in NI

The FWP is conspicuous by its absence of measures and intended UR actions to mitigate the high levels of dispatch down of renewables in NI. The UR should leverage its position to incentivise and resource the System Operators to address dispatch down levels. Such action will serve to help prioritise and address NI constraints in the pursuit

² In addition, whilst Energia recognises the need for a cost benefit analysis (CBA) analysis to determine if a Cap and Floor regime is justified for new interconnectors, we strongly believe that such analysis, along with a defined interconnector policy from DfE, should have preceded the granting of a licence to the LirIC interconnector.

of achieving 2030 renewable targets and passing on the benefits of clean, indigenous energy to NI consumers.

Energy storage has been recognised as critical to delivering a secure and efficient pathway to a decarbonised energy system. Currently, a remuneration gap deters investment in Long Duration Energy Storage. Delivery of a support scheme would facilitate essential investment in storage developments. Moreover, the additional 3-year delay to NS2 further underlines the need to expedite an LDES support scheme.

Within their dispatch down action plan SONI have listed LDES as one of the most significant potential mitigants. The UR should reflect this significance within the FWP and support SONI to accelerate delivery of an LDES support scheme as a means to tackle dispatch down and support a fair and affordable energy transition.

2.4 Other Items in the FWP

Strategic objective 4.1 “ex-ante market outcomes and price formation evolution in the SEM” outlines the UR’s intention to conduct an analysis of ex-ante market outcomes. As a market participant, Energia is keen for the UR to further elaborate on what the intended purpose of this ex-ante market analysis is. We would encourage the UR to engage early with industry on any anticipated market related workstreams.

Additionally, there is a lack of clarity regarding strategic objective 1.4 Northern Ireland Energy System Model. Energia would appreciate further engagement on this objective to better understand the UR’s intentions regarding the development of a “whole system model”. The UR should undertake industry engagement before progressing to any buildout of this model as described by 1.4 ‘Phase Two’.

Energia would like to express support for the appropriate roll out of smart meters (strategic objective 1.1) and Time of Use tariffs (strategic objective 1.2), both of which incentivise further electrification which can utilise cheap renewable energy at night that would otherwise be wasted. Furthermore, smart meters will support consumers in flexing their electricity demand such that there is less dispatch down to the benefit of both consumers and renewable investors.