

Forward Work Programme 2025-26

Dear Utility Regulator,

We welcome the opportunity to comment on the Utility Regulator (UR) Draft Forward Work Programme (FWP) 2025-26. This response is on behalf of Mutual Energy. Mutual Energy own and operate critical energy infrastructure in Northern Ireland. Mutual Energy owns - via subsidiary companies¹ - three of the four licenced gas Transmission System Operators (gas TSOs) in Northern Ireland, including the gas interconnector which connects NI to GB. Jointly with GNI (UK), the fourth licenced gas TSO, Mutual Energy also deliver gas market arrangements via the Gas Market Operator for Northern Ireland (GMO NI). Mutual Energy also owns the Moyle electricity Interconnector, a 500MW high voltage link between the NI and Scottish electricity transmission networks.

We comment on selected aspects of the FWP in section 1 below and flag some notable gaps in section 2.

1. Specific comments on workstreams in the draft FWP

1.1. Smart Meter (SM) rollout, Electricity Time of Use (ToU) tariffs and dynamic tariffs and Energy literacy

Whilst energy literacy appears under Strategic Objective 4 and SM rollout and ToU tariffs under Strategic Objective 1 (and are also delivered under different Directorates), we see these workstreams as intrinsically linked and it will be important that they are delivered in a joined up manner. Success of the SM rollout and ToU tariffs (and low carbon technologies more generally) will depend on confidence of consumers in switching over so there is a need to ensure adequate education on their benefits, including the need to ensure consumers understand the change in consumption behaviour required to benefit. We would therefore encourage engagement with consumer representative groups in the course of delivering these workstreams.

1.2. Biomethane regulatory framework for injection into the transmission system

This workstream is a continuation of a similar workstream included in the previous year's FWP. Mutual Energy welcomes its continued inclusion and look forward to further engagement on preparations to facilitate biomethane injection.

¹ Premier Transmission Ltd., Belfast Gas Transmission Ltd. and West Transmission Ltd.

Whilst we welcome the ambition to conclude this work within the coming year, we observe that this may be challenging due to interdependencies between government policy, licencing and connections policy workstreams which are likely to necessitate sequential completion of tasks rather than parallel (noting that the biomethane policy work and framework development work are both scheduled for completion in Q4).

1.3. Northern Ireland Energy System Model

This workstream appears to build on the previous year's FWP ambition for UR to develop in-house modelling capability. We can see the appeal of developing a whole system model but believe that care is needed around the proposed Phase one of this workstream – assessing the feasibility and desirability of UR developing such a model should be done in conjunction with a wider and expert industry stakeholder group, rather than just between UR and DfE.

TSOs already undertake significant modelling work by necessity to forecast the future potential use of their networks and plan them to ensure that they can be operated safely and securely, in line with health and safety regulation set by HSE(NI) and security of supply standards set by DfE, as well as in line with their licence requirements set by UR. As UR will be aware, the electricity and gas TSOs are aiming to move towards a more coordinated approach to network planning, which will be required regardless of whether UR develops a whole system model, so there is a risk of duplication of effort and cost. That being said, we recognise that there may be value in UR developing its own model in order to assess, validate or challenge the work of those it regulates. As this project progresses through Phase One and potentially Phase Two we would be keen to work with UR to support an efficient outcome that ultimately benefits consumers through high quality analysis.

1.4. Interconnection regulation

As owner of the existing NI to GB interconnection, we would welcome the opportunity to engage with this workstream on interconnection.

We note that both assessing the need for future interconnection and the subsequent need for a cap and floor regime are signalled for completion in Q1 in the FWP. We also note that UR's consultation on whether to grant the 'LIRIC' project a transmission licence indicated that the needs case piece would be complete by March 2025. We would expect both of these matters to require consultation given their materiality so assume that these timelines will now have moved. Other potential strategic projects, such as developing indigenous long-duration energy storage – for example through pumped-hydro or geological gaseous storage – might provide significant benefits to NI consumers and are likely to be critical to the delivery of NI's net zero target, as reflected in energy policy. The potential benefits of these types of projects should be assessed alongside further interconnection to establish which project (or group of projects) provides the greatest net benefit to consumers. These are important and large pieces of work requiring careful consideration so our view is that adequate time should be allowed for a robust assessment to be concluded and the timelines in the final FWP should be updated accordingly.

We have observed that the modelled benefits of further interconnection are highly dependent on the extent and nature of progress with decarbonisation in the connected markets, and are likely

to be limited until there are major increases in electricity demand, particularly in Northern Ireland. In this context allowing for sufficient decision making time at the front end, rather than rushing to a decision, is very likely to be in consumers interests.

1.5. Security of supply regulatory tools

We welcome inclusion of this workstream and look forward to continued engagement, particularly on mitigating identified security of supply risks relating to the gas transmission system and fuel security. We would suggest the scope of this work should include cross border coordination, both in the current paradigm and on decarbonisation policy to ensure security of supply in the longer term.

1.6. Regulatory approach to Future Network Gas price controls (GT27 and GD29)

Mutual Energy are keen to engage with UR on this workstream. As we have previously noted, we believe that a more flexible approach to price controls should be taken in relation to the energy transition, in the form of innovation funding for gas networks, and the use of uncertainty mechanisms such as re-openers to allow for changing policy and circumstances within the price control period.

As UR will be aware, Mutual Energy has been engaged in a workstream with GNI (UK), SONI and UR in 2024/25 with the aim of establishing an enhanced gas network forecasting and planning framework. Whilst we note that this work may be considered to be within the scope of the priority workstreams referred to in 3.4 in the FWP, we feel that this is a significant piece of work that warrants being specifically called out, similar to the NRAA project included in the 2024/25 FWP. Whilst our understanding is that regulatory approval for funding to support this work will be delivered shortly, we anticipate that further input from UR will be valuable and required in 2025/26 as we look to implement this new framework in collaboration with our fellow gas and electricity TSOs.

2. Additional workstreams for the FWP

2.1. Consideration of wider industry in just transition.

Whilst the FWP, and strategic objective 1 in particular, makes reference to a just transition, as far as the workstreams are concerned, the only just transition dedicated piece of work falls under the Consumer Protection Programme at 4.3. We would urge UR to not only look at consumer expectations around net zero, but to also consider the impact of the energy transition on industry in NI. In particular, the risk that exists of not adequately preparing for the possibility of policy positions (on electrification for example) leading to unintended consequences, such as surging unit costs for gas (as network costs are recovered from lower levels of consumption) and stranded assets. Such policy positions, if the appropriate preparation isn't taken, could threaten the viability of fossil fuel industries and networks that will remain critical for NI's energy security

during and potentially beyond the energy transition. Such a scenario is likely to ultimately lead to higher costs for consumers than would be the case if it was planned for. We would suggest that UR should be considering action to outline, and mitigate, such potential negative outcomes, including how funding should be collected and allocated to support these industries in the event that this becomes reality.

2.2. Net zero work in progress.

Hydrogen, offshore wind, and energy storage are not referenced in the FWP and these are areas in which UR should prioritise addressing key gaps in the policy and regulatory framework (alongside DfE) to facilitate the transition to net zero. While the draft 2024 FWP mentioned the completion of an assessment of gaps in the framework to achieve net zero, the final version removed the commitment to publish the results, leaving the status of this work unclear. There is no equivalent overarching workstream in the current FWP, creating uncertainty about whether necessary progress is being made on areas identified as critical for the energy transition but not directly addressed in the FWP. A multi-year project to ‘scope out with DfE the regulatory framework to facilitate offshore wind connections’ was also included in the 2024 FWP so we would have also expected to see further work planned in this area in the coming year.

DfE’s 2024 consultation on the proposed “Utility Regulator (Support for Decarbonisation Preparation) Bill” outlines a role for UR in providing expert advice on, inter alia, grid requirements for offshore renewables and the integration of hydrogen into the gas network. These are crucial areas for Northern Ireland, where progress lags behind neighbouring regions and they are vital for a successful energy transition. Whilst we recognise that the bill still needs to pass through the Northern Ireland Assembly, it should be low-risk/regrets for UR to work on these areas under the current legislative and policy framework and would be positive to see this reflected in the FWP in order to maintain momentum behind work that has been done to date.