

# RP7

# Price Control

**One step in a fair, affordable and just transition to net zero for all electricity consumers**



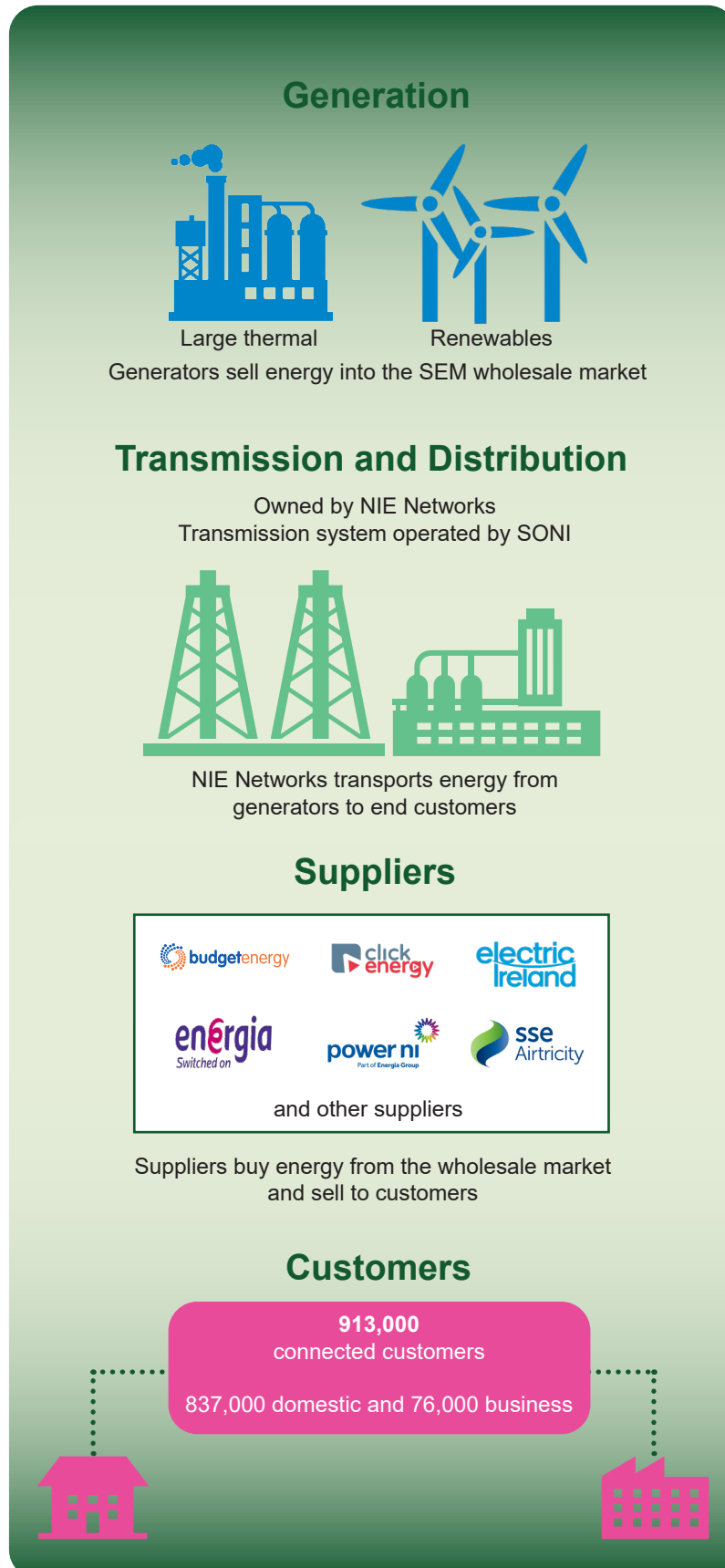
Overview of the Draft Determination  
for NIE Networks RP7 Price Control  
April 2025 to March 2031

**November 2023**

# RP7 Price Control

## Draft Determination

### How Northern Ireland's electricity system works



## The journey towards net zero

**The journey towards net zero has started and requires a revolution in how we use and generate electricity.**

Energy has never been as prominent in people's minds and in the news as it is now. Everyone is looking closely at the ever-evolving future of energy. More and more of us care about climate change and we are all understandably concerned about increases to our energy bills.

Northern Ireland is on a journey towards achieving net zero greenhouse gas emissions by 2050. A step before that, is for 80% of all electricity consumed to come from renewable sources by 2030. These targets have been set by the Northern Ireland Executive.

Northern Ireland is adapting to the use of decarbonised power, heat and transport options. New homes are being built with renewable generation capabilities, including solar panels and heat pumps. The use of electric vehicles for both personal use and public transport is rapidly increasing.

As NIE Networks is responsible for building and maintaining electricity transmission and distribution networks, they will play a pivotal role in this journey. Our job as their economic regulator, is to ensure that we enable NIE Networks to facilitate a fair, affordable and just transition to net zero for all electricity consumers.



# RP7 Price Control

## Draft Determination

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### What is the NIE Networks' RP7 Price Control?

RP7 is our seventh regulatory price control for NIE Networks, which will run from April 2025 to March 2031.

NIE Networks is responsible for building and maintaining electricity transmission and distribution networks, which allows consumers to access a secure supply of electricity. Because NIE Networks is a natural monopoly, it is subject to economic regulation which protects electricity consumers by ensuring a quality service is delivered at a reasonable cost.

We determine the amount of revenue which NIE Networks collects via electricity supplier tariffs through regular price control reviews following scrutiny and challenge of the company's business plans and consultation with stakeholders.

RP7 will create the foundation for Northern Ireland's journey towards net zero. Therefore, our proposed decisions within the draft determination considered the value NIE Networks provides in the delivery of both the Northern Ireland Executive's Energy Strategy and the Climate Change (Northern Ireland) Act 2022.

Setting price controls is one of the most significant activities carried out by an economic regulator and is used to set the amount that a company can charge its consumers for the services they provide.

They are generally used for a company that is in a monopoly position and therefore acts to protect consumers and ensures they get the best value for money from the services provided.

A price control is a large complex document that sets out funding decisions on a range of areas, including how much the company can charge consumers to run its business, how the company is going to operate, maintain and invest in its assets and the level of return on money invested is agreed.

## The RP7 Price Control process

### Approach

We published a Price Control Approach document in March 2022.

### Plan

NIE Networks provided us with their Business Plan in March 2023 setting out their plans and expenditure requests for the price control period.

### Proposals

We published our proposed decisions as a draft determination for public consultation in November 2023.

### Decision

A final determination will be published in late 2024, following our review of the consultation responses and continued engagement with NIE Networks.

### Licence

Modifications to NIE Networks' licence will be consulted on.

### Implement

The RP7 Price Control will take effect in April 2025.



# RP7 Price Control

## Draft Determination

### What will RP7 deliver for Northern Ireland?

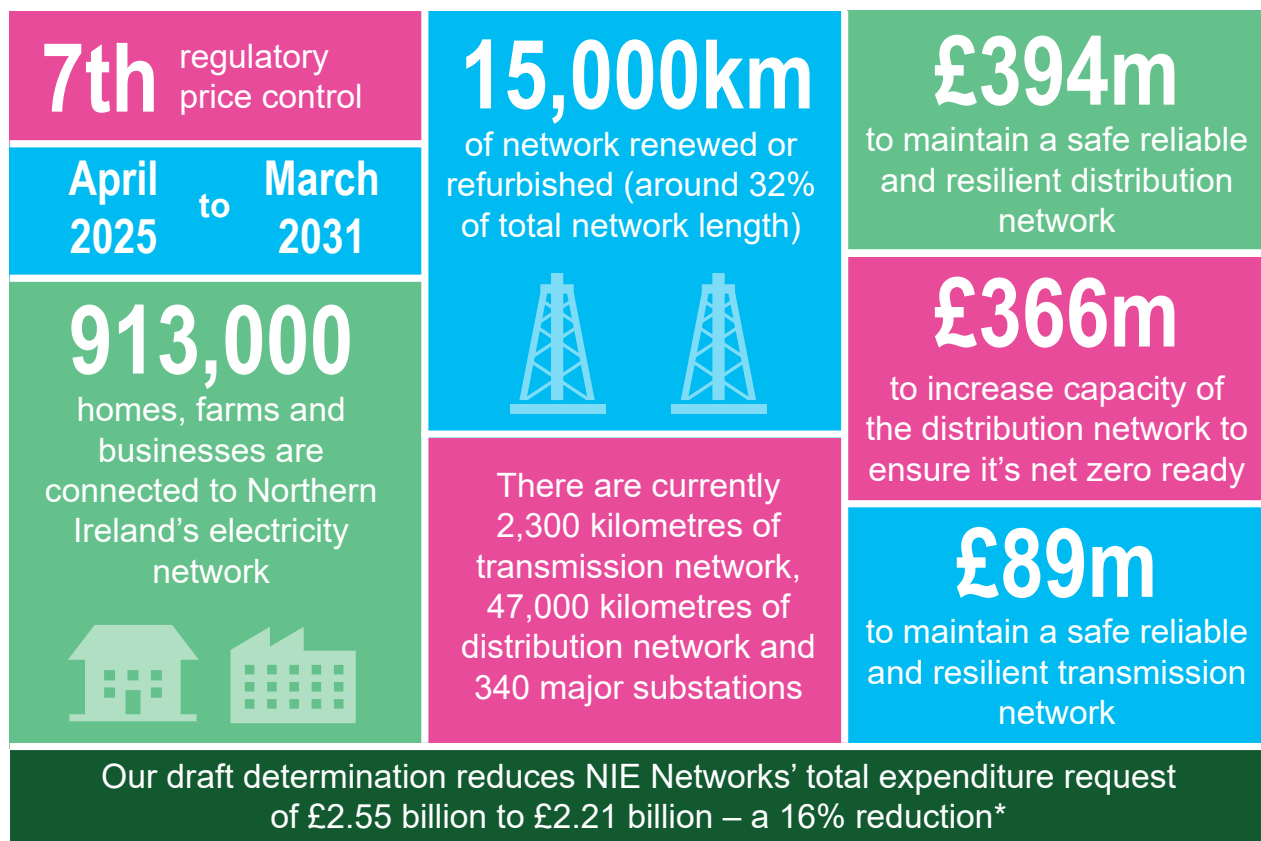
RP7 is about delivering investment to facilitate the energy transition and will provide for a more efficient use of the electricity transmission and distribution system.

This additional investment will provide more capacity within the electricity network enabling electricity suppliers to purchase cheaper renewable energy for their customers. It will also provide households and businesses with the infrastructure that will allow them to make use of new greener technologies. The electrification of public transport and vehicles will also be supported through new infrastructure.

NIE Networks has also proposed an environmental action plan, with 16 commitments, to address its own carbon footprint and sustainability in its supply chain. By 2030, they are committed to reducing their internal business carbon footprint by half.

Our proposals within the draft determination will ensure NIE Networks is fully able to support the energy transition in Northern Ireland.

### Key facts



\* 16% reduction does not take into account future approvals still to be determined.

## The impact of RP7 on energy bills

Substantial investment is required to achieve the Northern Ireland Executive's Energy Strategy's target of net zero greenhouse gas emissions by 2050.

Northern Ireland's electricity transmission and distribution network must be updated to accommodate additional renewable generation and to provide the infrastructure to make use of new greener technologies.

This additional investment will increase the amount of money NIE Networks can charge consumers through the network cost element of electricity tariffs.

The network cost element currently makes up about 18% of a customer's overall electricity bill. Whilst we understand increases to the costs that NIE Networks is able to charge consumers will not be welcome, we will ensure that the transition is affordable, fair, and inclusive for all.

Our draft determination reduces NIE Network's total expenditure request of £2.55 billion to £2.21 billion – which is a 16% reduction when future approvals are not included. Our lower proposed allowance will reduce the impact on consumer bills.

In calculating the impact on consumer bills, we also looked at forecast energy usage during the price control period. Energy usage is forecast to increase in line with the Northern Ireland Executive's Energy Strategy as homes and businesses adapt to the use of decarbonised power, heat and transport options, which includes heat pumps and electric vehicles. Variances in actual energy usage will affect the actual cost to consumers.



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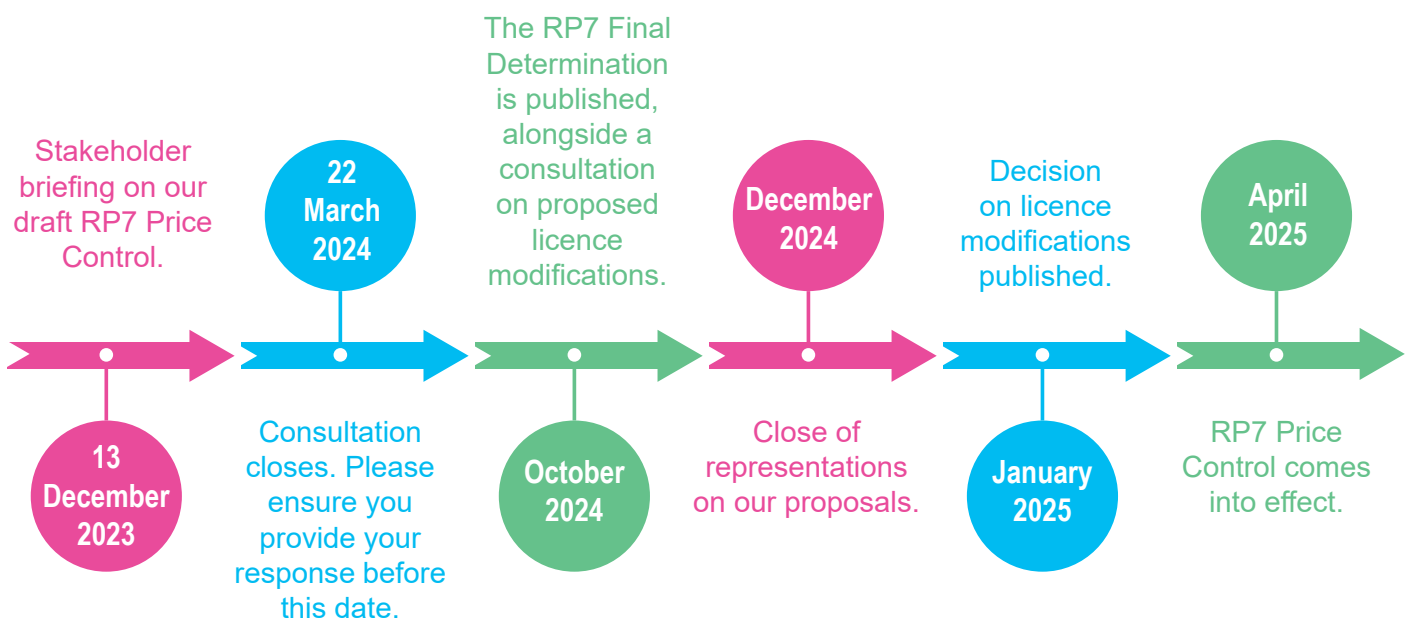
Based on our draft proposals, domestic tariffs will not increase due to the additional network costs for RP7, as long as their electricity consumption doesn't increase and they do not adapt to any new technologies (for example heat pumps and electric vehicles). For those domestic consumers who do increase their electricity usage and install heat pumps or use a home charger for an electric vehicle, their electricity costs will increase. However, this additional electricity cost will be offset by a reduction to their home heating and transport costs.

Our estimates show that small businesses will see a 3%-9% increase, based on their usage, whilst large energy users will see an 11%-19% increase. This is mainly due to the increase in transmission costs.

## Next steps

Our draft determination is now open for consultation until 21 March 2024.

Stakeholder engagement plays an important part in our price control process. We encourage you to become part of this process to ensure we are provided with a range of responses that will help us deliver the most robust and informed decisions when we finalise the price control. Your view will help shape a fair, affordable and just transition to net zero for all electricity consumers.



Full details on how to respond to our consultation can be found at [www.uregni.gov.uk/consultations](http://www.uregni.gov.uk/consultations)