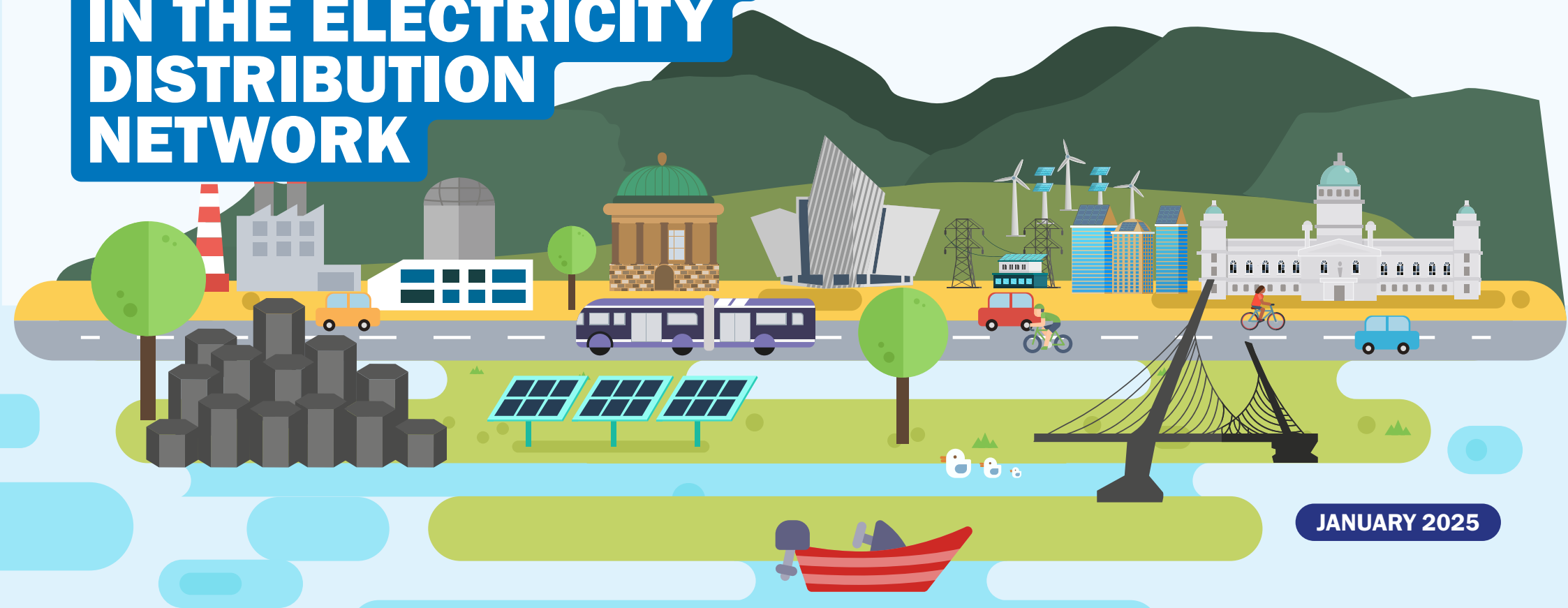
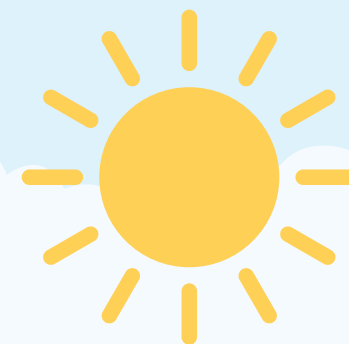




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An Roinn  
**Geilleagair**

# INCREASED SOCIALISATION OF CONNECTION COSTS IN THE ELECTRICITY DISTRIBUTION NETWORK



JANUARY 2025

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## Department for the Economy

The Department for the Economy (DfE) was established in May 2016 with a wide range of responsibilities.

Our Mission is to deliver a highly productive, zero carbon, regionally balanced economy with good jobs. We will:

- increase the proportion of working-age people in **Good Jobs**, because It is not acceptable that being in work does not guarantee a reasonable standard of living;
- promote **Regional Balance** to ensure everyone, no matter where they live, has the same opportunity to earn a living;
- raise **Productivity** because productivity is a fundamental driver of overall living standards; and
- reduce **Carbon Emissions**, because we are well aware of the legal and moral obligation to reach net zero by 2050 at the latest.

### DfE Energy Group:

The Northern Ireland Executive adopted the Energy Strategy for Northern Ireland in December 2021. The vision of the Strategy sets out how we will achieve net zero carbon and affordable energy, in line with Government commitments, by 2050.

Energy Group works with stakeholders across the North to deliver the Executive's Energy Strategy and to deliver the Minister's and Department's Mission and Objectives.

## Ministerial foreword

At the beginning of last year, I set out four key objectives as part of a new Economic Mission. These were to increase the number of working-age people in **Good Jobs**, to **Promote Regional Balance**, **Raise Productivity** and to **Reduce Carbon Emissions**.

The transition to net zero carbon emissions by 2050 is essential to fulfil our legislative requirements through the Climate Change Act (Northern Ireland) 2022. I will ensure that there is a just transition for energy consumers from fossil fuels to renewable energy. In addition, the energy transition will fuel a greener and more sustainable economy that generates more prosperity and better opportunities for all.

Reforming our current connection charging policy, through socialisation of network reinforcement costs, will increase fairness for all those seeking a connection to the electricity network. It will help us unlock the benefits of energy transition for all customers by allowing more homes and business to take up technologies such as heat pumps and electric vehicles. It will remove the disadvantage currently experienced by the first person to ask for a connection which requires reinforcement to the grid, thus bringing more fairness to all areas of the North and making us a more attractive location for low carbon investment.

We are committed to supporting homes and businesses in making the transition.



**CONOR MURPHY MLA**  
Minister for the Economy



## Issue

The current connection charging policy for the distribution network here is to charge new connecting customers for the cost of any reinforcement to the network triggered by their connection request as well as the cost of the lines and plant directly needed to make the connection. Some stakeholders have said that this policy is a barrier to connecting more renewable generation and installing Low Carbon Technologies such as heat pumps and Electric Vehicles (EVs).

The actual reinforcement costs here, for equipment etc are similar to those in Britain and Ireland. However, the proportion of those costs borne by the individual requesting the connection to the distribution network is higher here and the proportion of those costs socialised to all customers is lower here.

For homes and businesses, especially in rural areas, adding a heat pump or an electric vehicle charger can require a larger connection, and then can be the trigger that necessitates some reinforcement to local lines. In that case the first person to need the upgrade would be liable for the cost of upgrading that local line, even though other customers share that line, and could add their own EV or heat pump without contributing to the cost of the upgrade. This also applies to renewable generators connecting to the distribution network. This is known as the “first-mover disadvantage”.

The first mover disadvantage makes adopting new low carbon technologies unfairly less feasible for many people, businesses, and renewable generators particularly in rural areas.

A solution is to move to a more socialised connection charging policy, where more/all reinforcement costs are paid for initially by NIE Networks, and then by all electricity consumers, through the network charges we pay in our electricity bills.

## Benefits of solving

Much of the network building here is already socialised, and paid for by consumers. The proposals in this consultation would increase the proportion of network costs socialised across all customers. Other advantages of the proposals include:

**Fairness** – NIE Networks is currently undertaking the largest upgrade in our network history, through its RP7 price control. But RP7 will take six years to deliver, and more work may be needed after that. Some customers connecting to the network in weaker areas, which the RP7 upgrade has not yet reached, face potentially higher charges than those in other areas. The proposals in this paper will help remove this unfairness.

**Vulnerable Customers** – Customers who heat their homes with gas or electricity are protected by the Utility Regulator through codes of practice which prohibit such things as disconnection of vulnerable customers in winter. By removing barriers to the uptake of low carbon electric heating we can extend these protections and the convenience of modern heating to more vulnerable people.

**Investment** – socialisation of network reinforcement here, would put us on a more level field with neighbouring jurisdictions in attracting businesses and renewable generation.

**Climate Change and Net Zero** – we have a legal and moral responsibility to decarbonise our economy and society. Further socialisation of network reinforcement would facilitate more low carbon technology take-up and renewable generation.

**Regional Balance:** another benefit of introducing more fairness to connection charges is the potential for more investment in regions, where the network is currently weakest.

## The Options

DfE has worked with colleagues at the Utility Regulator (**UR**) to develop four options to reduce the barriers to connections to the distribution network. DfE's preferred option is Option 4 full socialisation of network reinforcement costs for customers connecting to the distribution network. This would apply to both demand customers (homes and businesses) and generators.

### Option 1 - Is to continue with the current distribution connection charging policy

This means customers seeking connection to the network pay for all reinforcement needed for their connection at the voltage level at which they connect, and the voltage level above. For the reasons set out in the detailed consultation we consider that this is not a viable option, but is set out for comparison.

### Option 2 - Partial Socialisation

Homes, business and generators seeking connection to the distribution network continue to pay for:

- 1) Their own assets to the connection point; and
- 2) A weighted portion of the reinforcement at their connection voltage level and one level above.

The balance of distribution network reinforcement cost is socialised.

### Option 3 - Full socialisation for Homes and Businesses, Partial Socialisation for Generators

Homes and business pay for their own assets to the connection point

The distribution network reinforcement cost is socialised.

Generators – continue to pay for:

- 1) Their own assets to the connection point;
- 2) Reinforcement at their connection level.

The balance of distribution network reinforcement cost is socialised.

### Option 4 - Full Socialisation

Homes, businesses and generators only pay for their own assets to the connection point.

All distribution network reinforcement cost is socialised.

### High Cost Cap

Options 2-4 each include a High Cost Cap. This will manage the effect on cost to the consumer and deter unreasonable requests.

The proposed High Cost Cap is £1,720 per kVA for demand and £200/kVA for generation.

See Section 10 – in the detailed consultation document for a discussion of the 'High Cost Cap' concept, and relevant questions.

### Analysis

In general, the benefits of each option increase as the degree of socialisation increases. The cost also increases, by a relatively small amount, the difference between option 3 and 4 is just 5p per annum to the typical domestic customer compared to potential benefits set out in this paper.

## Costs

DfE and UR asked NIE Networks to model the potential costs of the different options. NIE Networks developed a robust methodology to extract the best estimate of customer charged reinforcement costs over recent years, and then project them forward, taking into account expected reinforcement work from RP7.

The cost forecasts are based on the selected option being in place from 2025 to 2035, with the additional socialisation costs initially being added to NIE Networks' Regulated Asset Base and charged to customers over the economic life of the assets, usually 40 years.

NIE Networks has forecast the cost for Option 4, full socialisation of distribution connection reinforcement costs over the period 2025 to 2035 as approximately £3.05 extra per customer per annum for domestic customers, decreasing to zero over the 40 year life of the assets. Costs for other options are slightly lower. The cost to larger users of electricity in the North will be proportionately larger.

| Customer Category    | Option 1 p.a. | Option 2 p.a. | Option 3 p.a. | Option 4 p.a. |
|----------------------|---------------|---------------|---------------|---------------|
| Domestic Customer    | £0            | £2.20         | £3.00         | £3.05         |
| Small business       | £0            | £8.10         | £10.10        | £10.20        |
| Low Voltage SME      | £0            | £121.40       | £151.6        | £153.40       |
| High Voltage SME     | £0            | £404          | £505          | £511          |
| HV Large Energy User | £0            | £917          | £1,145        | £1,159        |
| 33kV LEU             | £0            | £1,756        | £2,193        | £2,219        |

## Call for Evidence Responses

DfE and UR published a joint [Call for Evidence](#) on 7 July 2023 (closed on 06 October 2023) setting out the issues discussed above and asking for views on a range of related subjects.

Responses to the joint Call for Evidence (**CfE**) generally supported moves to facilitate more connections to the NI electricity system. Responders recognised the benefits to NI's net zero targets, and the benefits of facilitating more renewable energy in NI.

Responses to the CfE also emphasised that any material increase to a customer's bill, given the current economic landscape is likely to be difficult to accept, especially for those in fuel poverty. DfE has been conscious of this in developing the proposals in this consultation and affordability is a key concern. Therefore, we have focused on analysing all impacts so that this consultation will provide stakeholders with the relevant information and have worked to ensure that costs are as low and as efficient as possible for consumers and mitigated where possible.

## Next Steps

Following closure of the consultation, responses will be shared and analysed with UR, and a summary response drafted and published. The Department will include a list of organisations that responded, unless the submission is marked confidential. Respondents should note that their responses may be made available as a result of Freedom of Information or Environmental Information Requests.

We will take the results of this consultation, and the results of the earlier joint Call for Evidence on the subject (from which these Options were developed), and we will decide which option to proceed with.

UR will develop, and consult on, any necessary changes to the licence conditions of the NIE Networks distribution owner and operator licence.

NIE Networks will develop a new Statement of Charging which reflects the new distribution reinforcement connection charging policy and the new licence conditions.

We currently expect these steps to work through in the middle of 2025.

## Have your views heard

Thank you very much for reading our brief introduction to our proposals for changing the connection charging policy for distribution network reinforcement in the North.

We would very much like to hear your views.

We have published a more detailed consultation document on the Department for the Economy website: [Increased Socialisation of Connection Costs in the Electricity Distribution Network | economy-ni.gov.uk](https://www.economy-ni.gov.uk/increased-socialisation-of-connection-costs-in-the-electricity-distribution-network) and on the Citizen Space website: [Increased Socialisation of Connection Costs in the Electricity Distribution Network | nidirect.gov.uk](https://www.nidirect.gov.uk/increased-socialisation-of-connection-costs-in-the-electricity-distribution-network). This includes questions on the options laid out within the consultation paper.

If we have sparked your interest and you would like us to hear and take your views into account, please follow the links above and provide a response to these questions.

Thank you again for reading our information document, we depend on your feedback to deliver an energy system that people here need and want, in our path to decarbonisation and a just transition.