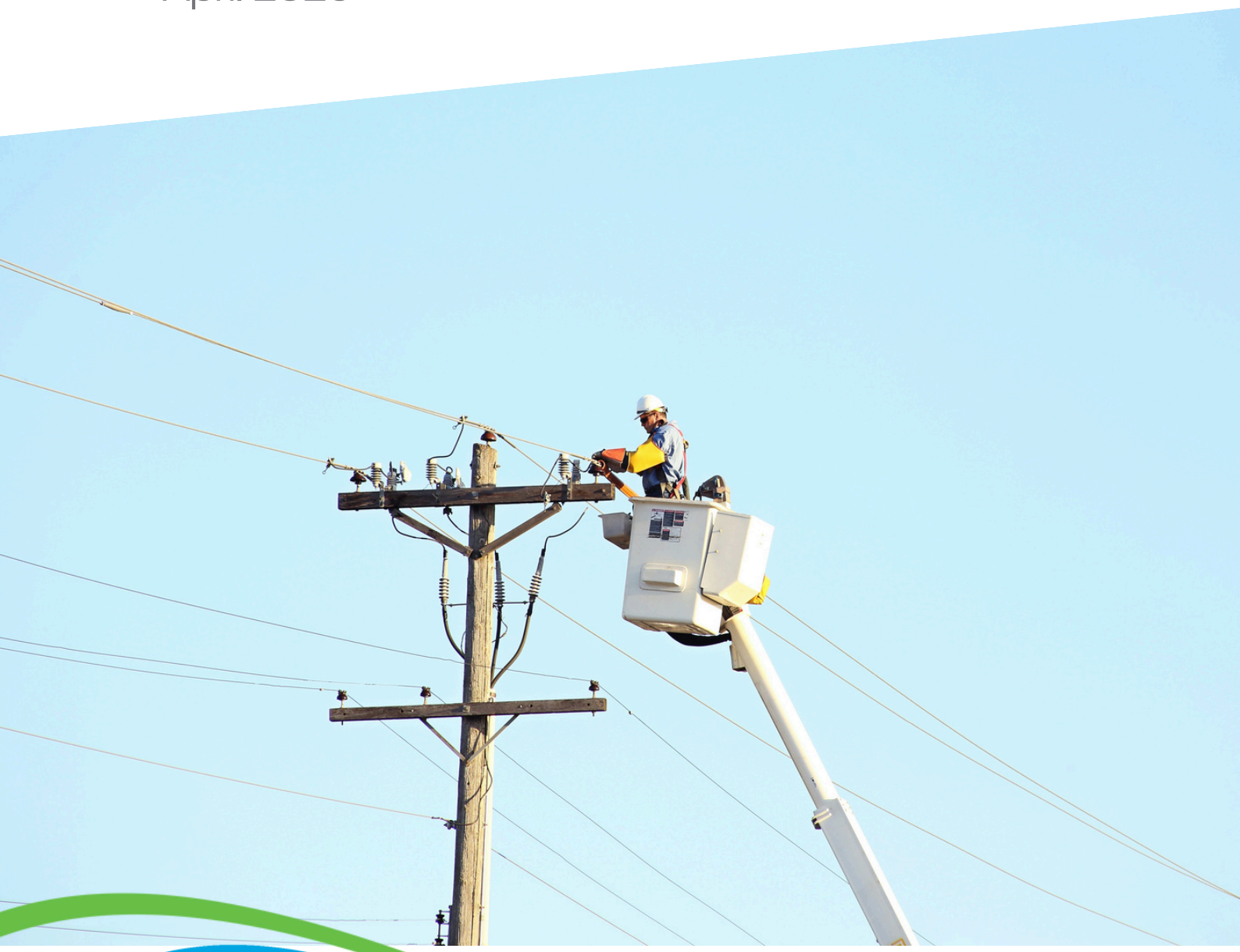
Consultation on Socialisation of Connection Charges for Distribution Connections

April 2025



RenewableNI response to DfE Consultation on Socialisation of Connection Charges for Distribution Connections

RenewableNI (RNI) is the voice for the renewable electricity industry in Northern Ireland. Through the development of policy, best practice, and public communications, we represent those engaged in wind, solar, and battery storage development. Our members make up a large majority of the renewable industry supply chain in Northern Ireland.

RNI welcomes the opportunity to respond to the Department for the Economy's (DfE) consultation on the socialisation of connection costs in the electricity distribution network. As an organisation representing the renewable electricity industry, we strongly support the principle of greater cost socialisation for distribution network connections. We believe this approach will encourage rather than penalise investment in renewables and low-carbon technologies, enabling a fairer and more efficient transition to Northern Ireland's net-zero targets.

Policy Context

The transition to renewable energy is fundamental for Northern Ireland to meet its statutory obligations under the Climate Change Act (Northern Ireland) 2022, which requires 80% of electricity to come from renewable sources by 2030 and targets net zero by 2050. Achieving this requires urgent reforms in grid access and connection charging, which remain major barriers to renewable deployment and wider electrification.

The Department for the Economy's (DfE) 2024/25 Business Plan & Three-Year Forward Look recognises this challenge, identifying revised grid connection policy as a key priority[1]. Socialising connection costs is a key enabler of this reform. Currently, as acknowledged by DfE in the consultation document, the high upfront cost of connections disproportionately burdens first movers, discouraging investment in renewables, heat pumps, and EV infrastructure. Without reform, Northern Ireland risks falling behind both Great Britain (GB) and the Republic of Ireland (ROI), where cost socialisation is already more advanced.

In GB, following reforms in 2022, Ofgem has implemented a "shallow-ish" charging model. Generators pay for their immediate connection assets and any reinforcements at their voltage level, but most wider network reinforcement costs are socialised - subject to a high-cost cap (£200/kW for

[1] https://www.economy-ni.gov.uk/publications/dfe-business-plan-2024-25

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generation). Demand connections operate on a fully shallow basis, where customers only pay for their connection assets, with reinforcement costs socialised up to a cap of £1,720/kVA[2].

In ROI, ESB Networks currently applies a shallow connection charging model for both generation and demand at the distribution level. Under this approach, applicants typically pay only for their immediate connection assets, while most reinforcement costs are recovered through network tariffs. This represents a move away from earlier arrangements where deeper distribution system reinforcements could be charged to applicants. This approach removes high upfront costs as a barrier to deployment and supports the expansion of renewables and electrification.

In Northern Ireland, under the current charging model, upfront costs for network reinforcements can be prohibitively high, particularly for projects located in areas with limited existing infrastructure. This can create financial barriers that discourage renewable investment and delay deployment. Without a fair framework for costing, Northern Ireland will struggle to deliver its 80 by 30 target, let alone align with the UK Government's ambition for 95% clean power by 2030 or the International Energy Agency's Zero by 35 recommendation[3][4].

Recent data from the Northern Ireland Statistics and Research Agency (NISRA) shows an alarming downward trend in renewable generation over the past few years, in 2022 Northern Ireland was a leader, with 51% of electricity generated by renewables, however this has fallen to 43.5% in 2024[5]. Instead of accelerating, deployment of renewables is stagnating, placing the 80 by 30 target in serious jeopardy.

Northern Ireland must begin to catch up with neighbouring jurisdictions. A failure to decarbonise at a pace commensurate with the climate crisis will not only undermine climate and energy security goals but will also leave Northern Ireland exposed to higher energy costs, lost economic investment, and continued reliance on fossil fuels.

The proposed reforms in this consultation are an opportunity to establish a fairer approach to connection charging, ensuring that costs are distributed equitably and renewable deployment is not hindered by financial barriers.

RNI Response to Consultation Questions

[2] Access SCR - Final Decision
[3] Net Zero by 2050 - A Roadmap for the Global Energy Sector
[4] Clean Power 2030 Action Plan - GOV.UK
[5] Electricity Consumption and Renewable Generation Statistics | Department for the Economy

Consultation question 1: *Consultees are invited to provide their comments on the costs and benefits of the proposed options.*

RNI strongly supports the move towards greater socialisation of connection costs. The existing framework in Northern Ireland places a disproportionate burden on those seeking connections, particularly early movers, which inhibits investment in renewables, electrification, and other low-carbon technologies. The costs of necessary reinforcements often fall entirely on developers or consumers seeking to connect, discouraging deployment and slowing progress toward net-zero targets.

The key benefits of increased socialisation include encouraging renewable deployment, facilitating the uptake of electric vehicles (EVs) and heat pumps, supporting a fairer system, and avoiding a fragmented and inefficient grid.

Reducing upfront costs will accelerate the build-out of wind, solar, and battery storage, directly supporting Northern Ireland's target of achieving 80% renewable electricity by 2030. By removing financial barriers, socialisation will enable more projects to connect to the grid, helping to meet climate goals and energy security needs.

The electrification of transport and heat is critical for decarbonisation, and a fairer charging regime will ensure consumers are not penalised for transitioning to clean energy. For example, home heating oil remains the most common form of heating in Northern Ireland, particularly in rural areas. Removing cost barriers for these households to switch from oil to electric heating, such as heat pumps, will make this transition more affordable and accessible. Similarly, as the demand for EVs grows, ensuring cost-effective grid connections will be essential to supporting widespread adoption.

The cost to buy EVs is reaching parity with petrol cars with some models already competitively priced. The real benefit however is on the lower running cost of EVs with annual savings of £1,000 - £1,500 achievable for 10,000 mile usage.[6] The socialisation of connection charges as part of wider electrification is a sound consumer investment. The Renewable Rewards report shows how that by achieving the 80% by 2030 renewable electricity target, consumers will save an additional £110m per year.[7]

Socialisation also ensures a fairer system. Under the current model, as noted in the consultation document, first movers bear the full cost of network reinforcements, despite the fact that other system users benefit from these upgrades. This creates an unfair financial burden on early adopters. A more

[6] Electric vs Petrol Cars: Complete Cost Comparison (2025) | The Electric Car Scheme
[7] Renewable-Rewards-Baringa-Report-online.pdf

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equitable approach, where costs are distributed across all users, will remove this disincentive and create a more balanced system.

One area not fully addressed in the consultation is how the socialised costs will be recovered. It is unclear whether these costs would be recovered through Distribution Use of System (DUoS) charges, and if so, how this would affect the current charging methodology. At present, distribution-connected generators do not pay DUoS charges for export, and it is important to clarify whether this will remain the case under a more socialised model - i.e. whether DUoS costs would continue to be recovered solely from electricity consumers. Additionally, most large-scale generation (LSG) is connected directly to 110/33kV substations and therefore typically does not trigger reinforcement at lower distribution voltages. Should a future review of the DUoS charging methodology propose recovering costs from generators, it will be essential to recognise the limited contribution of LSG to distribution-level reinforcements due to their dedicated higher-voltage connections. Failing to account for this could result in unintended consequences, such as disproportionately increasing the cost of connection for distribution-connected LSG under a socialised regime.

Finally, a more strategic and centrally planned approach to reinforcement funding will avoid a fragmented and inefficient grid. Under the current system, network investment is often piecemeal and developer-led, resulting in inefficiencies and higher long-term costs. Increased socialisation will allow for more coordinated and forward-looking grid planning, ensuring that reinforcements are developed in a way that maximises efficiency and long-term benefits for all users.

Consultation question 2: *Consultees are invited to provide their views on which of the proposed options is the best proposal to move forward, including their views on the Department's preferred option 4.*

RNI supports Option 4, which is also the preferred option of the DfE, and NIE[8]. This option provides the most effective pathway to ensuring Northern Ireland's grid connection policy is aligned with best practices in GB and ROI, removing barriers to investment while ensuring a fair distribution of costs.

Adopting this model ensures Northern Ireland remains competitive and keeps pace with the more progressive connection policies in both GB and ROI. ROI has already implemented a fully shallow charging model, while GB has transitioned to a "shallow-ish" model with socialisation up to a high-cost cap. Implementing a similar approach in Northern Ireland prevents the region from being placed at a disadvantage compared to neighbouring markets, encouraging investment, decarbonisation and maintaining alignment with best practices.

[8] DFE-Response-APR25.pdf

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High upfront connection costs have long been a deterrent for renewable deployment, EV charging providers, and consumers looking to electrify homes and businesses. By reducing costs, Option 4 makes investment in clean energy solutions more attractive.

Finally, Option 4 supports consumer affordability by ensuring that those seeking to decarbonise - whether by installing heat pumps, switching to EVs, or developing renewables - are not unfairly penalised by excessive costs. By spreading connection charges fairly across the system, this approach removes financial barriers and makes the transition to a low-carbon future more accessible for households and businesses alike.

For these reasons, RNI is supportive of Option 4 as the Department's preferred option.

Consultation question 3: *Consultees are invited to provide their comments on the proposal to institute a high cost cap.*

RNI supports the introduction of a high cost cap as a means of protecting consumers from excessive costs while ensuring that essential network investment can continue. However, we believe that this cap should be determined based on local conditions rather than directly adopting the figures used in GB, as those values may no longer reflect current costs or the specific challenges faced in Northern Ireland.

We acknowledge DfE's note in the consultation document regarding potential gaps in the availability of relevant data. However, we do not believe that simply applying GB's values and assuming reinforcement costs are comparable is an appropriate approach. Instead, a locally derived value should be established independently, using the best available data. Where gaps exist, the cap should be informed by stakeholder input through this consultation process and refined as more data becomes available.

Consultation question 3.1: *Should both, or either, of demand and generation connections be subject to a high cost cap?*

Yes, both demand and generation connections should be subject to a high cost cap. This ensures fairness across all network users, preventing excessive charges that could act as a barrier to decarbonisation.

Consultation question 3.2: *How should any high cost cap be calculated?*

The high cost cap should be calculated based on a percentile approach using local reinforcement cost data. This should be refined over time as more data becomes available, ensuring it reflects actual network investment needs rather than relying on external benchmarks.

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Consultation question 3.3: *Should we adopt the high cost cap value used in Britain?*

No, the high cost cap should be developed based on local cost assessments. The GB figures (£200/kW for generation and £1,720/kVA for demand) were set as part of Ofgem's 2022 reforms and may already be outdated.

Consultation question 3.4: *Should we calculate a percentile level for the high cost cap (using local values), and if so, what percentile of reinforcement charges should set the high cost cap?*

Yes, RNI supports using a percentile-based approach to determine the cap, ensuring it reflects typical reinforcement costs while avoiding extreme outliers. The chosen percentile should reflect typical reinforcement costs while ensuring that disproportionately high-cost reinforcements are not entirely socialised. This will provide fairness, protect consumers, and support network investment.

Conclusion

Ensuring a fair and efficient approach to connection costs is critical to Northern Ireland's energy future. Addressing the current barriers will unlock investment in renewables, accelerate electrification, and create a more accessible energy system.

We welcome the Department's preferred Option 4 as the most effective means of aligning Northern Ireland with best practices in neighbouring jurisdictions, enabling investment, and supporting the transition to electrification and net-zero. Additionally, we emphasise the need for a locally derived high-cost cap that reflects Northern Ireland's unique grid challenges rather than relying on outdated GB benchmarks. A well-designed socialisation model, supported by a locally appropriate high-cost cap, will provide long-term benefits for consumers, developers, the wider economy, and the environment.

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