



Economy Committee Submission on Utility Regulator (Support for Decarbonisation Preparation) Bill

SSE Response

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Introduction

SSE wishes to make this submission for consideration as part of Economy Committee evidence on the *Utility Regulator (Support for Decarbonisation Preparation) Bill*.

Energy market volatility continues to have a pervasive impact across the economy due to exposure to imported gas for electricity generation. The long-term solution is a transition to a secure, renewables-led energy system that reduces reliance on imported fuels and strengthens resilience to external shocks. While energy prices will remain subject to external pressures during the transition, there is clear evidence that increasing renewable generation, supported by strong networks and system flexibility, is already improving resilience and offers a credible pathway to more stable and lower energy costs over time.

SSE is committed to working with policymakers, regulators and industry partners to deliver these outcomes in Northern Ireland in a way that is efficient, investable and in the best interests of consumers.

Who we are

At SSE we are driven by our purpose: to provide the energy needed today while building a better world of energy for tomorrow. SSE develops, owns, and operates low-carbon infrastructure to support the transition to net-zero. This includes onshore and offshore wind, hydropower, flexible thermal generation, electricity transmission and distribution networks, alongside providing energy products and services to customers.

Since entering the Irish energy market in 2008, we have invested significantly in our Irish businesses, with over £0.5bn invested in NI to date with ambitions to invest a lot more with the right policy environment. SSE Renewables owns 700MW of onshore wind capacity across the island and operates a total of over 1,000MW, three of which are in Northern Ireland, including NI's biggest at Slieve Kirk Wind Park, outside Derry/Londonderry. We've recently starting construction of a 200MW battery outside Dungannon. Projects in the planning system include Tattymoyle Wind Farm in west Tyrone and Arklow Bank Wind Park 2, a Phase 1 offshore wind project off the coast of County Wicklow.

SSE has donated more than £5m to community funding in Northern Ireland since 2008. In June of this year, SSE and our partners in Greencoat UK Wind awarded £139,000 to support lifelong learning and green skills development for women and young people across Tyrone, Fermanagh and Derry/Londonderry. The funding provided through this 'Learning for Life Fund' will support two transformative, five-year learning and skills programmes delivered by WOMEN'STEC and South West Regional College. The programmes will

help expand access to education, build confidence, and develop the green skills needed to participate in the transition to a low-carbon economy.

SSE Thermal owns and operates 672MW of flexible generation capacity in support of Ireland's security of supply.¹ SSE Thermal has begun construction on Platin Power Station in County Meath - a new flexible generation asset capable of running on natural gas or sustainable biofuels, which will strengthen Ireland's energy security and support a renewables-led system.

SSE Airtricity supplies energy to more than 770,000 home and business meter points across the island of Ireland. As part of its work to support customers with the cost of energy, SSE Airtricity partnered with the charity EnergyCloud Ireland, to launch an initiative delivering free hot water to households using surplus renewable electricity.

Consultation Questions

1. Does this part of Clause 1 give the Utility Regulator sufficient power and/or responsibility in order to help decarbonise the energy sector in Northern Ireland?

Clause 1 (1) allows the Utility Regulator to provide advice, information or assistance to support the Department for the Economy development of proposals, policies, strategies or plans needed in relation to the energy sector.

The Utility Regulator (Support for Decarbonisation Preparation) Bill is a welcome step in recognising the role of the Regulator in supporting Northern Ireland's energy transition. We are concerned, however, that it does not go far enough or align with the direction of travel in the rest of the UK and ROI.

Statutory vires to support Government policy and obligations:

SSE recommends that the draft legislation is amended to bring it in line with the rest of the United Kingdom, with consideration to NI specific legislation, and refers the Committee to GB's Energy Act 2023.¹ The Energy Act sets out that Ofgem in carrying out its functions must have regard to (a) the need to assist the Secretary of State's compliance with duties in the Climate Change Act 2008 and (b) the targets specified in all UK climate acts (including Climate Change Act (Northern Ireland) 2022).

While the GB regulator must take into account Northern Ireland's climate legislation, the NI regulator does not. SSE recommends that NI legislation be amended to align with the rest of the UK.

The last substantive update to the UR's vires was in 2011. At that time, a 40% renewable energy consumption target by 2020 had been set out in the Strategy Energy Framework 2010. NI has seen a substantive policy step change in the Energy Strategy in 2021, which set a 70% target by 2030 which was subsequently scaled up to 80% by the Climate Change (Northern Ireland) Act 2022.

The current legislative framework does not explicitly require the UR to align its activities with climate targets. This is a concern given the UR's work has a significant bearing on the achievement of climate targets. For example, the UR's role in setting price controls and the need for increased network investment should be

¹ [Energy Act 2023](https://www.legislation.gov.uk/ukpga/2023/52/part/1/chapter/1/2023-12-26?view=extent), <https://www.legislation.gov.uk/ukpga/2023/52/part/1/chapter/1/2023-12-26?view=extent>

guided by clear, evidence-based approaches to ensure proportionate and timely decisions paving the way for Northern Ireland's climate targets, alongside the UR's other duties. An overly short-term, risk-averse approach may avoid immediate decisions, but it can delay the investments needed for the energy transition that help bring down energy costs and improve system resilience in the long run.

Given the critical role of the UR in the energy transition, **it is essential that its statutory duties explicitly mandate supporting the goal of achieving Northern Ireland's statutory climate obligations** to empower the UR to facilitate a wholistic approach to the energy transition and to act with speed and decisiveness.

Without this prioritisation, the regulatory framework may not fully support the urgent need for decarbonisation and to meet Northern Ireland's climate obligations; indeed, there is the potential for decisions made today to delay the energy transition, hindering progress towards achieving a secure, low-carbon energy system for future NI consumers.

Lack of clarity regarding “advice, information or assistance”

It is unclear what is meant by providing “advice, information or assistance to DfE”. Ensuring clarity regarding the relative responsibilities of the Government, DfE and the UR is vital to avoid sub-optimal outcomes. Clear delineation of responsibilities will help ensure that there is sufficient pace and avoid of duplication.

Whole Systems Approach:

Efficient planning of the energy network and timely investment require a whole systems approach, ensuring that all elements of the energy system work together seamlessly. Energy spans various departments beyond DfE, which include DAERA, Department for Infrastructure and Department for Communities. It is not clear why this Bill does not include other departments who also develop *‘proposals, policies, strategies or plans needed in relation to the energy sector.’*

Today's versus Tomorrow's Customers

To bring Northern Ireland in line with the rest of the UK, taking into account NI specific legislation, SSE refers to GB's Energy Act 2023² as amended and recommends that the principal objectives of the UR be expanded to include (a) protecting the interests of current and future customers, and (c) promoting the efficient and economic development and operation [of the electricity system], having regard to the need for licence holders to be able to finance their licensable activities.

It is important to recognise that investments will need to be made in the near term to deliver a clean and secure energy future. SSE believes there needs to be a shift in emphasis from focussing on the sole needs of today's customers to also planning for the needs of the future customer base, including the necessary market operational infrastructure. This forward-looking approach will ensure that the energy infrastructure and policies developed are sustainable and capable of meeting long-term climate goals, whilst ensuring long-term value for customers.

The balancing of interests requires robust impact assessments, which consider long-term value and balances responsibilities to both the consumer and licensees. A positive example of this approach in action

² [Energy Act 2023](https://www.legislation.gov.uk/ukpga/2023/52/part/1/chapter/1/2023-12-26?view=extent), <https://www.legislation.gov.uk/ukpga/2023/52/part/1/chapter/1/2023-12-26?view=extent>

is the work the DfE is doing to progress the Smart Metering Programme, in which long-term benefits have been incorporated into the CBA.

Conclusion

In conclusion, these proposals do not go far enough. Amendments are necessary to empower the UR to fully support NI's climate change obligations and the transition to a domestic, secure and affordable enduring energy future.

Clear guidance is needed from the government to define the UR's roles and responsibilities, ensuring effective regulatory frameworks and timely, proportionate decision-making. It is vital to balance affordability for today's consumers with strategic investments that protect future consumers and facilitate decarbonisation across the economy. This needs to be factored into cost-benefit assessments and cost recovery considerations.

SSE would welcome the opportunity to discuss our submission should that be useful to the Committee.

Annex:

Learnings from other Jurisdictions

In support of amending future legislation to support the delivery of energy net zero policies, learnings can be taken from both Great Britain and the Republic of Ireland.

Great Britain

Ofgem, the regulator for Great Britain, serves as a relevant example. Ofgem's role and powers have evolved to support the UK's net zero targets, and similar legislative amendments could be beneficial for the UR. In 2023, an amendment to the Energy Bill gave the regulator a statutory net zero duty, which restated the objective to protect the interests of existing and future gas and electricity consumers. It added a specific duty to do this by supporting the Government to achieve net zero by 2050 and for the first time, directly linking consumers' interests to specific net zero targets.

Ireland

Under the *Climate Action and Low Carbon Development Act 2015*, all 'relevant bodies' (including the regulator) are required to have regard to the Climate Action Plan, Long Term Climate Action Strategy, adaptation framework and sectoral adaptation plans (provided for by the Act) and the overall transition objective and mitigation of greenhouse gas emissions in the performance of their functions.

Under ROI Climate Action Plans we see targeted and time-bound responsibilities being placed on the regulator to deliver specific projects. Given the urgency in taking action to meet climate targets and UR's key role and large increase in resources, it is crucial that projects are delivered to enable the energy transition.

The *Electricity Regulation Act, 1999* is the foundation legislation in ROI for the establishment of the CRU, granting it broad functions including some specific duties related to decarbonisation. This includes, inter alia, the duty to promote the use of renewable, sustainable or alternative forms of energy, to integrate production of electricity and gas from renewable sources, to take account of protection of the environment, to encourage the efficient use and production of electricity and to require the system operator to give priority to stations using renewable and sustainable forms of energy.