



INTERCONNECTION POLICY STATEMENT: POLICY DIRECTION FOR EAST-WEST ELECTRICITY INFRASTRUCTURE

AUGUST 2026

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EXECUTIVE SUMMARY

This Policy Statement sets out the guiding principles that underpin the Department's approach to East-West electricity interconnection. It establishes the policy outcomes that interconnection is expected to deliver and provides a framework to guide decision-making. It also respects the statutory independence of the Utility Regulator, thereby maintaining a clear distinction between policy and regulatory decision making.

This Policy Statement forms part of the Executive's Energy Strategy, which was published in December 2021 and includes targets across energy savings, renewable electricity consumption and the size of the green economy. The policy aligns with the Energy Strategy intent to encourage innovation and investment in the economy, creating skilled jobs and enhancing the region's competitiveness through public confidence in the energy transition.

People and consumers are at the heart of the Energy Strategy. A key success factor of the Strategy is that people and communities across the region will see the benefits of a healthier environment, more affordable and reliable energy costs, lower risks of fuel poverty, and an increase in the number of good jobs over time.

Properly implemented interconnection has an important role in securing a resilient and low-carbon electricity system by improving energy flows, enhancing flexibility and facilitating the integration of renewable energy. The Department recognises that role and that strategically developed interconnection can therefore support the transition to a more integrated and decarbonised energy system.

The Department's core policy objective is to support interconnection where it is demonstrated to deliver clear, long-term, net benefits for our consumers, taking account of whole-system costs, risks and overall value. Any benefit assessment must be evidenced, proportionate and informed by scenario-based analysis including alternative and complementary counterfactuals where appropriate. To support this objective the Department has identified three guiding principles, namely:

- Evidence-Based Whole-System Outcomes and Long-Term Resilience
- Cross-Jurisdictional Partnership and Cooperation
- Positive Consumer Outcomes – Proportionality of Costs, Benefits and Risks

This Policy Statement outlines the outcomes that electricity interconnection is expected to deliver. In doing so, it aims to provide clarity to investors, developers, consumers and regulators on the Department's policy expectations for electricity interconnection development. The second North-South Interconnector remains an important strategic infrastructure project and relevant consideration in whole-system assessment but is considered within this statement as all-island transmission reinforcement rather than external interconnection.

1. Purpose of this Policy

The Executive's Energy Strategy sets out a vision for a secure, affordable and sustainable net-zero energy system. That vision is guided by five key principles which seek to place consumers at the heart of our energy future; grow the green economy; do more with less; replace fossil fuels with renewable energy; and create a flexible, resilient and integrated energy system.

Interconnection has an important role to play in delivering the Energy Strategy. The existing transmission links to Scotland and Ireland support the resilience of our regional grid. In the future, as the energy system develops and grows, more interconnection is expected to complement regional renewable deployment. This complementarity is widely recognised with new and planned interconnection projects either under development or under consideration across Britain and the island of Ireland.

In the context of this Policy Statement, the Department's overall policy objective is to support interconnection with neighbouring markets where it is demonstrated to deliver clear, long-term, net benefits. At the core of the Department's policy is that interconnection must deliver positive and enduring outcomes for consumers here. Whole electricity system consumer outcomes should be considered alongside, and not reduced to, narrow indicators such as wholesale electricity price. Costs, benefits and risks, including financing and delivery arrangements, should be allocated transparently, proportionately and be carefully considered.

To support that policy objective and provide greater clarity to potential investors, developers and local communities, the Department has outlined a set of guiding principles. These provide a framework for assessment of interconnection projects and the outcomes they are expected to deliver. The Policy Statement therefore clarifies the outcomes that electricity interconnection is expected to deliver, sets out the principles that inform assessment of proposals, and more clearly defines the respective roles of policy, regulation and project-level decision-making.

At the same time, the statement does not approve or determine the outcome of any individual project. Instead, it provides the strategic context to support alignment across relevant stakeholders and to enable the progression of projects that deliver long-term value for our consumers – homes and businesses.

Decisions on funding arrangements, including any consumer financial support, are out of scope for this Policy Statement and remain a matter for the independent Utility Regulator, within its statutory functions, in the context of the policy direction set by the Department.

2. Background: Current Electricity System and Strategic Context

The electricity system on the island of Ireland operates within the Single Electricity Market (SEM), established in 2007 and significantly reformed in 2018. The SEM provides a single wholesale electricity price across the island, with trading arrangements designed to maximise efficiency while accommodating the physical realities of operating a power system.

Electricity trading occurs across multiple time horizons, including forward markets, the day ahead market, intraday markets and the balancing market. While trading in the day ahead and intraday markets is undertaken on an unconstrained basis, the physical system is inherently constrained, with the system operators (SONI in the north and EirGrid in the south) managing real-time conditions through balancing actions and operational interventions.

This reflects a core characteristic of electricity systems: supply and demand must be continuously balanced in real time, while system stability, including frequency and voltage, must be maintained. Market outcomes are therefore shaped not only by price signals but also by the physical characteristics of the system and the operational tools required to ensure secure operation. In practice, the unconstrained market result alone is not sufficient to ensure system security; the balancing framework and system operators' actions remain central.

These dynamics are particularly important in our network, which is a relatively small and moderately interconnected system (presently there is only one 'tie-line' between NIE Networks' grid in the north and ESB Networks' grid in the south). This scale can affect the system's ability to absorb shocks, meaning that system stability constraints, such as ramping capability, voltage control and minimum generation requirements, can be binding. The contribution of interconnection, storage or other assets therefore depends not only on price differentials between markets, but on whether operational rules and system constraints allow assets to be used effectively. This reinforces the importance of assessing potential investments on a whole-system basis rather than through individual metrics in isolation.

A system in transition

The Executive's Energy Strategy combined with the Climate Change Act (NI) 2022 requires full decarbonisation of the electricity system by 2050. Delivering this provides a significant economic opportunity.

The All-Island Resource Adequacy Assessment (AIRAA), produced regularly by SONI and EirGrid, provides the principal evidence base on how the system is expected to evolve. It assesses whether sufficient resources are likely to be available to meet demand over a ten-year horizon and indicates an increasingly complex system with a more diverse generation mix.

Recent assessments indicate that adequacy is expected to be maintained in the near term, with increasing system complexity over time and a corresponding increase in the need for active mitigation measures.

This position reflects developments on both electricity demand and supply. Demand is expected to grow due to the electrification of heat and transport, wider economic activity, and other structural changes in electricity consumption patterns. On the supply side, the availability of conventional generation has, at times, been below historical levels, reflecting the ageing profile of plant. Continued evolution of the generation mix reinforces the importance of maintaining sufficient capacity and flexibility. Maintaining security of supply therefore depends on the timely delivery of new capacity, alongside improvements in flexibility and supporting infrastructure.

Interconnection plays a role within this framework by linking the SEM to neighbouring markets and allowing electricity to flow in response to market conditions. Existing links between the island of Ireland and Britain, including the Moyle Interconnector and more recent connections such as Greenlink, provide additional market access, with potential for further projects to increase connectivity over time. The value of interconnection depends on both its technical capability and how it is utilised in practice, including market prices, operational constraints and the availability of system operator actions during periods of system stress.

Interconnectors are significant infrastructure assets. While multiple delivery models exist, experience gained through the Moyle Interconnector with Scotland is of electricity interconnection being delivered through a regulated, consumer-aligned model. This specific mutual-ownership model is 100% debt financed and has demonstrated that:

- interconnection infrastructure can be financed and delivered within a regulated framework;
- costs can be recovered in a transparent and predictable manner; and
- the overall cost to consumers can be materially influenced by the structure of the financing model and the allocation of risk.

The role of the second North-South Interconnector (NSI), more correctly described as the second tie-line, is also a material consideration. This tie-line represents internal transmission reinforcement within our all-island network rather than additional external interconnection for the island. While outside the primary scope of this Policy Statement, its delivery has the potential to influence the value, timing and consumer outcomes associated with future proposals for external interconnection and must therefore be considered as part of any whole-system assessment.

Similarly, as the system transitions, the nature of interconnector flows will continue to be shaped by the relative economics of interconnected markets. While flows on the Moyle Interconnector have historically operated in both directions, current market conditions result predominantly in imports from Britain, reflecting lower generation costs in Britain in many periods. Future flows will depend on the evolution of generation mix, renewable deployment, demand growth and wider system conditions across connected markets.

Our electricity system is undergoing significant structural change, including increasing penetration of variable renewable generation, particularly wind. This supports decarbonisation but introduces greater variability into system operation.

Periods of high renewable output can lead to surplus generation and lower prices, while periods of low renewable output require continued reliance on dispatchable generation, storage or imports. Managing this variability efficiently and securely is therefore an ongoing central system challenge. Alongside network reinforcement, interconnection presents a significant opportunity to be able to export lower-cost surplus electricity in the longer term, as well as to import lower cost electricity when our market prices are higher. Interconnection is one of several tools available to support security of supply and, by linking markets, it can provide access to a wider range of generation resources.

This underlines the importance of an evidence-based and whole-system approach to interconnector investment and the need for projects to be assessed as part of the wider electricity system rather than considered in isolation.

Interconnection should also be assessed alongside alternative and complementary options, including regional generation, storage and demand-side flexibility. Each can contribute to system outcomes, and their relative value will evolve as the system develops.

3. Guiding Principles

Principle 1:

Evidence-Based Whole-System Outcomes and Long-Term Resilience

Electricity interconnection should support the long-term resilience, security and efficient operation of the electricity system. The Department's policy position is that any proposed interconnection should be assessed against its contribution to these wider system outcomes rather than against any single metric in isolation.

Assessment will consider interconnection within a whole-system context, including its interaction with wholesale prices, conventional generation, renewable generation, storage, demand-side flexibility and network infrastructure. Whole-system assessment will consider the full range of costs and benefits arising across the electricity system, including constraint and curtailment costs, balancing costs and other material costs which ultimately fall to consumers.

Decisions will be informed by proportionate, scenario-based analysis, ensuring projects remain valuable across a range of plausible system conditions, including appropriate benchmarking against alternatives. Project developers will need to demonstrate that appropriate evidence is provided for evaluation.

Analysis will reflect credible future pathways for the electricity system, including potential changes in demand arising from electrification, economic development, large energy users and other structural shifts in consumption patterns. The approach recognises the uncertainty inherent in long-term energy system development but seeks to identify proposals that remain robust under a range of future scenarios.

The Department further considers that the value of interconnection is influenced not only by scale, location and technical capability, but also by timing. Assessments will therefore consider alignment alongside wider infrastructure investments and their sequencing. For example, this includes the second North-South tie-line, major network reinforcement projects and other strategic infrastructure.

Principle 2:

Cross-Jurisdictional Partnership and Cooperation

Electricity interconnection is inherently between regions and requires coordinated planning, regulatory engagement and cooperation between jurisdictions.

The Department supports collaboration with neighbouring markets to develop interconnection at an appropriate scale. Where different regulatory or funding approaches apply across jurisdictions, these should be addressed transparently to ensure coherent outcomes and fair allocation of costs and benefits for consumers.

The Department recognises that electricity interconnection operates within the wider context of the Single Electricity Market and an increasingly integrated regional energy system. Interconnection proposals should therefore provide transparency on the distribution of costs, risks and benefits across jurisdictions and consumer groups.

Particular consideration should be given to the extent to which proposed investments support outcomes for consumers here, including where growing demand in neighbouring markets, large energy users, renewable integration objectives or wider system requirements may influence the utility and long-term value of interconnection infrastructure.

The Department considers that consumers here should receive a fair and proportionate share of the value arising from infrastructure and market arrangements that they are expected to support.

Principle 3:

Positive Consumer Outcomes – Proportionality of Costs, Benefits and Risks

Electricity interconnection must deliver positive and enduring outcomes for our consumers. Costs, benefits and risks should be allocated transparently and proportionately to the expected consumer value. Protecting our consumers from disproportionate costs or risks remains a central consideration in the assessment of interconnection proposals.

Where consumers directly or indirectly contribute:

- arrangements should prioritise long-term value to consumers;
- risk exposure should be proportionate and clearly defined; and
- the cost of capital should be minimised and consistent with efficient delivery.

While finance and delivery models are not prescribed in this policy, experience with the mutual ownership model under which the Moyle Interconnector operates provides an important evidential benchmark against which any alternative model will be assessed. The choice of finance and delivery models should therefore not be treated as a default or imported from other jurisdictions. It must be grounded in the specific characteristics of the electricity system here, informed by experience, the nature of the benefits being delivered, and the level of risk that is appropriate for consumers.

The Department therefore considers that financing arrangements are not merely delivery mechanisms but can materially influence consumer outcomes and should form part of the overall assessment of project value when tested under a range of future scenarios.

Decisions on funding arrangements, including any consumer financial support, are a matter for the independent Utility Regulator within its statutory functions, with due regard to the evidential benchmark and the policy intent described in this statement.

4. Application to Existing and Future Proposals

The principles set out in this Policy Statement apply to all external electricity interconnection proposals, including those already under consideration.

Existing Proposals

This Policy Statement does not alter the status of any existing proposal. In particular, nothing in this policy:

- reopens regulatory or licensing decisions that have already been taken;
- pre-judges the outcome of ongoing regulatory or assessment processes; or
- directs the regulatory treatment of any individual proposal.

Existing proposals will continue to progress through established regulatory and licensing processes, with assessments undertaken independently by the Utility Regulator in accordance with its statutory duties and the policy intent described in this statement.

This Policy Statement provides a clear and consistent framework for interpreting and assessing proposals at a strategic level, rather than revisiting decisions taken under existing processes.

Future Proposals

All future electricity interconnection proposals will be assessed against the principles set out in this Policy Statement, regardless of scale, ownership structure or delivery model.

The Department recognises the importance of providing clarity and predictability for investors. Proposals that align with these guidelines should be able to progress through regulatory and assessment processes in a timely and transparent manner.

5. Summary Policy Position

Electricity interconnection plays an important role in our electricity system within the Single Electricity Market. The Department supports the strategic development of interconnection where it delivers clear long-term benefits for consumers.

Benefits will vary depending on system conditions, and interconnection requires careful, evidence-based assessment which considers the full range of impacts on resilience, affordability, decarbonisation and system operation.

This Interconnection Policy Statement:

- supports interconnection where it delivers positive long-term consumer outcomes;
- requires whole-system assessment of the benefits of interconnection projects;
- requires proportionate allocation of cost and risk in interconnection projects, protecting consumers from disproportionate risk;
- recognises that financing and delivery arrangements can materially influence consumer outcomes and should therefore form part of the overall assessment of project value; and
- supports a transparent and investable framework for interconnector project development.

The Department will keep this Policy Statement under review as the electricity system evolves and develops.

The Department will monitor the effectiveness of existing governance, regulatory and policy arrangements in supporting the objectives of this Policy Statement and may consider whether further policy, regulatory or legislative measures are required to ensure that future interconnection development delivers enduring value for consumers.

Annex A: Evidence Base

This Policy Statement is informed by a range of analytical, system and policy evidence, alongside stakeholder engagement. The key sources are set out below.

1. System Modelling and Analytical Evidence

- *CEPA Modelling (DfE-commissioned, December 2025)*
Independent modelling assessing the costs and benefits of additional electricity interconnection and storage under a range of future system scenarios, including impacts on wholesale prices, consumer costs, system operation and carbon emissions.

2. System and Adequacy Assessments

- *All-Island Resource Adequacy Assessment (AIRAA)*
Produced by SONI and EirGrid, assessing the balance between electricity demand and supply across the Single Electricity Market over a 10-year horizon and informing capacity market requirements and investment signals.

– AIRAA overview: [AIRAA - Overview - SONI](#)
– AIRAA 2026–2035 report: [AIRAA - SONI](#)
- *System Operator Scenario Frameworks*
Scenario-based modelling informing assumptions on demand growth, generation mix and system evolution toward decarbonisation.

– [Tomorrow's Energy Scenarios \(TES\) | SONI](#)
– [Future Energy Scenarios \(FES\) | National Energy System Operator](#)

3. Policy Frameworks

- *Northern Ireland Energy Strategy – Path to Net-zero Energy*
Establishes the strategic framework for a secure, affordable and low-carbon electricity system, including targets for renewable electricity and system decarbonisation.

– Strategy overview: [Energy strategy | Department for the Economy](#)
– Full strategy document: [The Path to Net-zero Energy. Safe. Affordable. Clean](#)
- *Great Britain Policy Framework (DESNZ / Ofgem)*
Policy direction for interconnection and market evolution, including increased strategic planning of interconnector development to support system efficiency, security of supply and decarbonisation.

– UK Government policy paper: [Next steps for electricity interconnection in Great Britain \(accessible webpage\) - GOV.UK](#)
- *Irish Policy Framework (Department of the Environment, Climate and Communications)*
Policy direction for electricity interconnection emphasising strategic expansion, increased connectivity, and integration with renewable energy development, security of supply and long-term energy system planning.

– Irish Government policy paper: [National Policy Statement on Electricity Interconnection 2023](#)

4. Stakeholder Engagement and Market Evidence

- Engagement with:
 - Utility Regulator
 - System Operator (SONI)
 - Market participants including developers and industry stakeholders
 - Smart System Flexibility Plan Consultation Responses
- This engagement provides insight into:
 - project economics and financing structures
 - system operability and constraint management
 - delivery risks and infrastructure dependencies