

## **Northern Ireland Electricity Transmission and Distribution Price Control 2012-2017: Draft Determination for RP5**

**Utility Regulator**

**Response submitted by the Commissioner for Older People for Northern Ireland**

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The principal aim of the Commissioner for Older People for Northern Ireland is to safeguard and promote the interests of older people

## Executive Summary

1. Overall, the Commissioner for Older People welcomes the transmission and price control proposals outlined in the consultation document, as it will lead to an overall reduction in domestic electricity tariffs for all consumers.
2. The Commissioner welcomes the appointment of a Reporter to address the issue of “asymmetry of information between the regulator and the regulated company” as this will assist the Utility Regulator in identifying areas of concern that may have implications for overall consumer tariffs.
3. The Commissioner is concerned that the Vulnerable Customer Programme, which has had some success in addressing fuel poverty issues will not be funded under RP5. It is the view of the Commissioner that the Utility Regulator should seek to take forward this programme in RP5 as well as encourage Northern Ireland Electricity to reduce fuel poverty through other means, including consideration of social tariffs.
4. The Commissioner is concerned that given the level of pensioner poverty in Northern Ireland, increased connection charges will further increase the financial burden on new domestic consumers who are of pensionable age.
5. The Commissioner is concerned that the Utility Regulator did not consider social obligations and customer service incentives to be required. It is the view of the Commissioner that incentives offer a means by which the Utility Regulator can fulfil its duties to encourage utility companies to mainstream social obligations into their business.
6. The Commissioner would encourage the Utility Regulator to ensure that employees and pensioners within the Northern Ireland Electricity Pension Scheme are not disadvantaged as a result of changes to the funding of the scheme outlined in the Utility Regulator’s draft determination in RP5.

## Introduction

7. The office of the Commissioner for Older People for Northern Ireland (the Commissioner) is an independent public body established under the Commissioner for Older People Act (Northern Ireland) 2011.
8. The Commissioner will have responsibility for an extensive range of general powers and duties which will provide the statutory remit for the exercise of her functions. In addition the Commissioner may provide advice or information on any matter concerning the interests of older persons.
9. The Commissioner's powers and duties are underpinned by the United Nations Principles for Older Persons (1991) (see appendix A). The wide ranging legal powers and duties will include amongst others:
  - To keep under review the adequacy and effectiveness of law and practice relating to the interests of older people
  - To keep under review the adequacy and effectiveness of services provided for older persons by relevant authorities
  - To promote the provision of opportunities for and the elimination of discrimination against older persons
  - To review advocacy, complaint, inspection and whistle-blowing arrangements of relevant authorities
  - To assist with complaints to relevant authorities
  - The investigation of complaints against relevant authorities
  - The power to bring, intervene in or assist in legal proceedings
  - The conciliation of disputes
  - Formal investigations, evidence in formal investigations
  - Powers of entry and inspection for purposes of formal investigation.
10. The Commissioner welcomes the opportunity to respond to the Utility Regulator's "Northern Ireland Electricity Transmission and Distribution Price Control 2012-2017: Draft Determination", as we acknowledge that changes in price control for Northern

Ireland Electricity has significant potential implications for older consumers.

## Key Issues

11. Overall, the Commissioner for Older People welcomes the transmission and price control proposals outlined in the consultation document, as it will lead to an overall reduction in domestic electricity tariffs for all consumers<sup>1</sup>.
12. The Commissioner welcomes the comprehensive review that has been undertaken by the Utility Regulator in reviewing Northern Ireland Electricity's governance in the RP4 period and identifying issues of concern in Northern Ireland Electricity's submission for the RP5. This review has highlighted a number of areas where double charging of consumers has occurred and/or where efficiencies could be achieved and has made recommendations to address these issues in the RP5 period.
13. This will be particularly welcome to older consumers as the rate of pensioner poverty is substantially higher for Northern Ireland than the rest of the UK<sup>2</sup>, particularly when the higher costs of utilities in Northern Ireland is considered<sup>3</sup>. In addition, older people are particularly vulnerable to fuel poverty<sup>4</sup> and its consequences including winter mortality and poor physical and mental health<sup>5</sup>. Consequently any reduction in tariffs for consumers will have positive implications for older people.
14. The Commissioner also welcomes the appointment of a Reporter to address the issue of "asymmetry of information between the regulator and the regulated company"<sup>6</sup> as this will

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<sup>1</sup> See Section 20- Utility Regulator (2012) Northern Ireland Electricity Transmission and Distribution Price Controls 2012-2017 Draft Determination.

<sup>2</sup> MacInnes T, Aldridge H, Parekh A and Kenway P (2012) Monitoring Poverty and Social Exclusion. JRF: UK

<sup>3</sup> Liddell C, Morris, McKenzie P and Rae G (2012). Defining Fuel Poverty in Northern Ireland: A Preliminary Review.

<sup>4</sup> DSD (2011). Ending Fuel Poverty: A Strategy for Northern Ireland. DSD: Belfast

<sup>5</sup> Liddell C, Morris, McKenzie P and Rae G (2012). Defining Fuel Poverty in Northern Ireland: A Preliminary Review.

<sup>6</sup> See Section 4.9 - Utility Regulator (2012) Northern Ireland Electricity Transmission and Distribution Price Controls 2012-2017 Draft Determination

assist the regulator in identifying areas of concern that may have implications for overall consumer tariffs.

15. However, given the implications of the RP5 draft determination on fuel poverty for older people, the Commissioner would like to know what consideration was given to equality and social factors in drafting the determination and whether an Equality Impact Assessment has been carried out on the policy.
16. Given the vulnerability of older people to fuel poverty, the Commissioner would like to raise a number of issues of concern in the draft determination concerning:-
  - The Vulnerable Customer Programme
  - Connections
  - Incentives
  - Pensions

### **Vulnerable Customer Programme**

17. Under RP4, Northern Ireland Electricity established and delivered a Vulnerable Customer Programme which aimed to “combat fuel poverty by helping low income householders identify unclaimed benefits.. and thereby increase their outcomes”<sup>7</sup>
18. The Commissioner is concerned that, given the programme “delivered good results and clearly benefited many of the people categorised as being fuel poor”<sup>8</sup>; a similar programme will not be funded under RP5.
19. Given the higher rates of fuel poverty amongst people over 60 years old and substantial pensioner poverty in Northern Ireland compared to Great Britain, the Commissioner is concerned that removal of this programme will have a substantial negative impact on Older People in Northern Ireland.

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<sup>7</sup> See Section 14.9-14.15 - Utility Regulator (2012) Northern Ireland Electricity Transmission and Distribution Price Controls 2012-2017 Draft Determination

<sup>8</sup> Ibid

20. The Commissioner is also concerned that whilst the Utility Regulator acknowledges the significant positive impact of this programme on consumers vulnerable to fuel poverty, it has deferred responsibility for addressing fuel poverty to another “appropriate external body funded through other means”.
21. As a public authority, the Utility Regulator has not only a statutory duty to protect consumers<sup>9</sup> but has social and equality responsibilities towards older people, emanating from Section 75 of the Northern Ireland Act 1998<sup>10</sup> and the UN Principles for Older People (see Appendix A). These duties apply to the Utility Regulator and the Utility Regulator’s interactions with its regulated companies. Encouraging Northern Ireland Electricity to address the issue of fuel poverty would, therefore, assist the Utility Regulator in fulfilling its statutory duties towards older people.
22. The Commissioner would like to know what consideration was given to the equality implications, costs and social benefits of discontinuing the programme, particularly given the relative vulnerability of particular equality groups, including older people to fuel poverty.
23. It is the view of the Commissioner that the Utility Regulator has social responsibilities with respect to fuel poverty and should, therefore, seek to take forward this beneficial Vulnerable Customer Programme in RP5 as well as encourage Northern Ireland Electricity to reduce fuel poverty through other means.
24. Age NI<sup>11</sup> has indicated that despite the higher level of fuel poverty than the rest of the UK, older people in Northern Ireland are not afforded the same level of protection as their counterparts in Great Britain. This is because social tariffs are offered in the rest of the UK by law but are not required in Northern Ireland.

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<sup>9</sup> See Section 3 - Utility Regulator (2012) Northern Ireland Electricity Transmission and Distribution Price Controls 2012-2017 Draft Determination.

<sup>10</sup> Under Section 75 of the Northern Ireland Act 1998, public authorities must have due regard to the need to promote equality of opportunity on nine equality grounds, including age

<sup>11</sup> <http://www.ageuk.org.uk/northern-ireland/for-professionals/policy/poverty--fuel-poverty/poverty-policy-positions/>

25. Research<sup>12</sup> with vulnerable consumers and their representative stakeholders has indicated that a social tariff would be the preferred option to tackle fuel poverty with means put in place to ensure that it is targeting the right people.
26. Energy Watch research has demonstrated that the costs of social tariffs can be relatively modest, need not be punitive to other low income customers and would result in significant savings for those most in need.
27. The Commissioner is, therefore, of the view that the Utility Regulator should consider Social Tariffs as a means of reducing fuel poverty. The Commissioner proposes that given the serious health implications of fuel poverty, older people in receipt of Pension Credit should be the first focus of any such schemes

## Connections

28. The Utility Regulator has proposed the removal of the 40% subsidy for new domestic connections and has indicated that “the connectee should now pay the full cost of the connection to Northern Ireland Electricity”<sup>13</sup>.
29. The Commissioner is concerned that given the level of pensioner poverty in Northern Ireland, increased connection charges will further increase the financial burden on new domestic consumers who are of pensionable age.
30. The Commissioner would like to know what consideration was given to the equality implications of removing the subsidy on older people of pensionable age and what actions have been undertaken to mitigate any potential impact.
31. It is the view of the Commissioner that the Utility Regulator should, monitor and review connection charges in the RP5

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<sup>12</sup> Ipsos MORI (2008). Research into consumers' views on initiatives by energy suppliers to help disadvantaged and vulnerable customers. Consumer Council and Utility Regulator: Belfast

<sup>13</sup> Section 12 - Utility Regulator (2012) Northern Ireland Electricity Transmission and Distribution Price Controls 2012-2017 Draft Determination.

period to ensure that these are not disproportionate for older consumers. The Utility Regulator should also encourage Northern Ireland Electricity to mainstream equality and social responsibility initiatives in policy and practices to tackle the financial burden of electricity utilities on vulnerable older consumers.

## Incentives

32. The Commissioner welcomes the development of a specific form of incentive or standard for Northern Ireland Electricity to improve its service to worst served customers<sup>14</sup>.
33. However, the Commissioner is concerned that the Utility Regulator did not consider social obligations and customer service incentives to be required as survey evidence has suggested that “customers are content with current standards of service”.
34. The Commissioner would like to know the rationale for not considering social and equality obligations when considering incentives.
35. The Commissioner would also like to verify how the customer survey was carried out including sampling methodology used and whether a representative sample of older people was obtained. The Commissioner would also like to know whether vulnerable groups, including older people and their representatives were consulted as part of the process.
36. Although, customer service surveys have indicated, that overall, customers are currently content with standards of service, customer service needs to be continuously monitored and any decreases in customer services addressed and incentivised.
37. In addition research has indicated that people in the most vulnerable groups, and in particular, older consumers are less

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<sup>14</sup> This has been interpreted by COPNI as those customers who experience multiple service interruptions, outages and lost minutes but does not take into account social considerations



likely to be aware of and/or avail of benefits / compensation where offered<sup>15</sup>, for example within the General Standards Scheme (GSS).

38. The Commissioner is of the view that incentivising and mainstreaming social incentives will, therefore, assist in improving customer service for vulnerable customer groups.
39. In addition, incentives offer a means by which the Utility Regulator can fulfil its duties under Section 75 of the Northern Act 1998 to encourage utility companies to mainstream equality and social obligations into their business.
40. The Commissioner would also recommend that customer service enquiries, complaints and uptake of compensation under the GSS should be monitored by Section 75 equality grounds to determine whether, particular groups, including older people are more or less likely to avail of these mechanisms

## **Pensions**

41. The Commissioner welcomes the Utility Regulator's proposals that costs of Northern Ireland Electricity's pension scheme will not be passed onto consumers.
42. The Commissioner would encourage the Utility Regulator to continuously monitor pension funding to ensure that employees and pensioners within the Northern Ireland Electricity Pension Scheme are not disadvantaged as a result of changes to the funding of the scheme outlined in the Utility Regulator's draft determination in RP5.

## **Concluding Comments**

43. The Commissioner acknowledges the statutory role of the Utility Regulator to protect the interests of electricity consumers

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<sup>15</sup> Ipsos MORI (2008). Research into consumers' views on initiatives by energy suppliers to help disadvantaged and vulnerable customers. Consumer Council and Utility Regulator: Belfast

whilst ensuring that Northern Ireland Electricity has sufficient revenues to recover operating costs, depreciation and a reasonable return on investment.

44. Given that 50% of people over 60 years old are in fuel poverty<sup>16</sup>, the Commissioner urges the Utility Regulator to fully consider the equality and social implications of its proposals on older people.
45. In addition, the Commissioner urges the Utility Regulator to utilise its leverage and influence under Section 75 of the Northern Ireland Act 1998 and International law to encourage Northern Ireland Electricity to mainstream equality and social obligations that address fuel poverty amongst older people into all its ways of working.
46. Finally, the Commissioner asks that the Utility Regulator include her office in its consultation list for all further consultations. All consultations should be sent to:

The Commissioner for Older People for Northern Ireland  
Equality House  
7–9 Shaftesbury Square  
Belfast  
BT2 7DP

Tel: 02890 890 892  
Email: [info@copni.org](mailto:info@copni.org)

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<sup>16</sup> <http://www.consumercouncil.org.uk/key-issues/fuel-poverty/>

## Appendix A

### UN Principles for Older Persons

The United Nations Principles for Older Persons were adopted by the UN General Assembly (Resolution 46/91) on 16 December 1991.

The Commissioner for Older People Northern Ireland is legally obliged to have regard to these Principles and is pleased to do so.

Governments are encouraged to incorporate them into their national programmes whenever possible and the Principles should be considered by all organisations and regarded as a framework for their treatment of older people.

There are 18 principles, which are grouped under five themes: independence, participation, care, self-fulfilment and dignity.

The Principles acknowledge:

1. the tremendous diversity in the situations of older persons, not only between countries but within countries and between individuals;
2. that individuals are reaching an advanced age in greater numbers and in better health than ever before;
3. that scientific research disproves many stereotypes about inevitable and irreversible decline with age;
4. that in a world characterized by an increasing number and proportion of older persons, opportunities must be provided for willing and capable older persons to participate in and contribute to the ongoing activities of society;
5. that the strain on family life in both developed and developing countries requires support for those providing care to frail older persons.

## Appendix A

## Independence

1. Older persons should have access to adequate food, water, shelter, clothing and health care through the provision of income, family and community support and self-help.
2. Older persons should have the opportunity to work or to have access to other income-generating opportunities.
3. Older persons should be able to participate in determining when and at what pace withdrawal from the labour force takes place.
4. Older persons should have access to appropriate educational and training programmes.
5. Older persons should be able to live in environments that are safe and adaptable to personal preferences and changing capacities.
6. Older persons should be able to reside at home for as long as possible.

## Participation

1. Older persons should remain integrated in society, participate actively in the formulation and implementation of policies that directly affect their well-being and share their knowledge and skills with younger generations.
2. Older persons should be able to seek and develop opportunities for service to the community and to serve as volunteers in positions appropriate to their interests and capabilities.
3. Older persons should be able to form movements or associations of older persons.

## Care

1. Older persons should benefit from family and community care and protection in accordance with each society's system of cultural values.
2. Older persons should have access to health care to help them to maintain or regain the optimum level of physical, mental and emotional well-being and to prevent or delay the onset of illness.

3. Older persons should have access to social and legal services to enhance their autonomy, protection and care.
4. Older persons should be able to utilize appropriate levels of institutional care providing protection, rehabilitation and social and mental stimulation in a humane and secure environment.
5. Older persons should be able to enjoy human rights and fundamental freedoms when residing in any shelter, care or treatment facility, including full respect for their dignity, beliefs, needs and privacy and for the right to make decisions about their care and the quality of their lives.

### **Self-Fulfillment**

1. Older persons should be able to pursue opportunities for the full development of their potential.
2. Older persons should have access to the educational, cultural, spiritual and recreational resources of society.

### **Dignity**

1. Older persons should be able to live in dignity and security and be free of exploitation and physical or mental abuse.
2. Older persons should be treated fairly regardless of age, gender, racial or ethnic background, disability or other status, and be valued independently of their economic contribution.