



***Action for Warm Homes***  
Northern Ireland

**National Energy Action NI**  
Response to the  
Utility Regulator for Northern Ireland's Call  
for Evidence on

***Electricity Distribution Tariff Reform***  
**June 2021**

## About NEA

National Energy Action (NEA) is the national fuel poverty charity working to secure affordable warmth for disadvantaged energy consumers. NEA's strategic aims include influencing and increasing strategic action against fuel poverty; developing and progressing solutions to improve access to energy efficiency products, advice and fuel poverty related services in UK households and enhancing knowledge and understanding of energy efficiency and fuel poverty.

NEA seeks to meet these aims through a wide range of activities including policy analysis and development to inform our campaigning work, rational and constructive dialogue with decision-makers including regulatory and consumer protection bodies, relevant Government Departments, the energy industry, local and national government, and we develop practical initiatives to test and demonstrate the type of energy efficiency programmes required to deliver affordable warmth.

NEA is primarily concerned with energy policy whilst maintaining a watching brief on social justice policies including income inequalities and levels of poverty in Northern Ireland.

Protecting vulnerable customers is our key aim so we work both reactively and proactively to ensure policy makers and regulators recognise the needs of the vulnerable in its widest sense. With tighter household budgets it is more important than ever that consumers are getting the best deal. Paying for domestic energy makes up a substantial portion of total household expenditure, so it is of specific concern to us but is often relegated in the ever-busy policy environment.

## Background

Unfortunately, many households in Northern Ireland face the prospects of cold homes, especially during the winter months. Based on the 2016 House Condition Survey, Northern Ireland has a rate of fuel poverty at 22%. It is also estimated that there are approximately 43,800 households in extreme fuel poverty, which means they need to spend over 15% of their total income to heat their homes. Additionally, one in five households in Northern Ireland are living in poverty.

We know that the cold kills. The Northern Ireland Statistics and Research Agency (NISRA) estimate that the Excess Winter Deaths (EWD) for 2019/20 was approximately 600<sup>1</sup>. However, one impact of Covid-19 on mortality in Northern Ireland has been to inflate the number of deaths usually seen in non-winter months (April to July in particular), which has in turn led to the seasonal winter excess being lower than usual. If all deaths where Covid-19 was the underlying cause of death are removed from the analysis and the EWD value re-calculated, the estimated figure increases to 910, which is more in line with the five-year average of excess winter mortality from 2014/15 to 2018/19 (967).

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<sup>1</sup> Northern Ireland Statistics and Research Agency (NISRA), Excess Winter Mortality NI Report 2019-20. Accessed online: <https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/Excess%20Winter%20Mortality%20NI%20Report%20201920.pdf>

It is important that we recognise that EWD in Northern Ireland can fluctuate greatly from winter to winter. This is obvious when we consider that between December 2017 and March 2018 there were 1,620 Excess Winter Deaths, which represented the highest EWD value recorded since 1999/2000.

Additionally, and unique to Northern Ireland, 68% of all households are reliant on home heating oil, a non-regulated fuel. This leaves many households in a precarious position, and we believe that this industry needs some form of oversight to ensure adequate protection for vulnerable consumers.

## Response

NEA welcomes the opportunity to respond to the Utility Regulator's Call for Evidence (CfE) on the Electricity Distribution Tariff Reform.

The primary factors which cause fuel poverty are widely agreed to be low household incomes, high energy costs and energy inefficient homes<sup>2</sup>. We know that Northern Ireland continues to have amongst the lowest levels of household income across the UK and the highest weekly household expenditure on energy of any UK region. Taken in conjunction with challenging economic conditions as well as the ongoing global pandemic, many families continue to face challenges with meeting their energy costs. We know that cold, damp and unhealthy homes cause acute unnecessary hardship, resulting in a number of health impacts, further strain on the local NHS provision, and can lead to premature mortality.

Our main concerns in the context of this CfE, relate to ensuring that the low income and fuel poor households are not disadvantaged by reforms to the distribution tariffs charged by NIE Networks. Policy costs faced by domestic consumers and how these costs are subsequently recovered via bills has a big impact on fairness<sup>3</sup>. Some consumers face stark challenges paying for policy costs as they are usually recovered in a flat rate within standing charges. This is particularly acute for pre-payment customers as these charges must be paid for upfront before these households can access any units of energy. In addition, VAT is often recovered on the whole energy bill, including the proportion of the bill which pays for policy costs.

For households living on a low income, energy usage makes up a significant portion of their household expenditure. It is important to recognise that any additional cost to household energy runs the risk of pushing vulnerable households into fuel poverty and worsening the conditions for those already impacted. Households on lower incomes and vulnerable consumers in Northern Ireland perhaps stand to gain more from a 'just transition' than any other grouping. However, this group is equally at risk should new policies and strategies fail to deliver for their benefit.

To mitigate these risks NEA is calling on the Utility Regulator to adopt the following recommendations:

- Conduct a thorough distributional analysis on the impacts of any reforms to distribution tariffs across the domestic consumer group.
- Ensure that there will be equal access to tariffs for all domestic consumers, so that no households are disadvantaged by their location. If for any reason this cannot be achieved,

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<sup>2</sup> Manifesto for Warmth (2019), Northern Ireland Fuel Poverty Coalition.

<sup>3</sup> John Barrett, Peter Taylor and Anne Owen (2018) *Funding a Low Carbon Energy System: a fairer approach?*

then the Utility Regulator must ensure sufficient protections are established for consumers who are disadvantaged by being unable to access tariffs due to their location or consumer demographic.

- The Utility Regulator should work with NIE Networks and the energy suppliers to ensure sufficient cooling off periods are established for consumers switching to new distribution tariffs arising from any reforms. This will be important to protect consumers and ensure that they can make informed decisions. Consumers may not understand the significance of the reforms until they have an opportunity to see the impacts on their bills.
- We would like to see consideration given to the development of social tariffs for low income and fuel poor households.
- Consumers will need information and support to ensure they get the right tariff to suit their households needs. This process should start immediately as it is important consumers are engaged in the decision-making process.

Below we have provided additional comments in response to some of the specific questions that have been raised by Utility Regulator in the CfE.

## CfE Questions

### 1. Which of the key drivers outlined present the largest impact for you or your organisation?

Whilst all the drivers outlined will have a role to play in tackling fuel poverty in Northern Ireland, NEA believe the role of digitisation and data usage will be particularly significant. Digitalisation should be considered as a key enabler in the move towards a smarter, cleaner, and more resilient energy system for Northern Ireland. Digitalisation and data issues must be a key policy area considered in relation to the development of a consumer-centric approach to the energy transition. It is widely recognised that data will be a key enabler of the energy transition generally, and to realising consumers benefit from that transition.

To successfully decarbonise energy in Northern Ireland there will be a need to maximise the potential of indigenous renewable energy sources such as wind, tidal and solar power. To do so will require the creation of an energy system that can overcome the challenges presented by Northern Ireland's demand profile. One possible solution for this will be through empowering consumers to develop the untapped resource of 'Flexible Demand'<sup>4</sup>. Energy demand can have value, especially if the time and location of the demand can be controlled. Consumers should be empowered to tap into this 'value' using data to influence their domestic energy consumption during peak demand times. To achieve this there will be a need for smarter in-home technologies (including energy meters), which will enable households to view their real time energy consumption and flexibly adapt their own demand

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<sup>4</sup> Keatley (2021) 'Smart Meters and Flexible Demand in Northern Ireland'.

accordingly. NEA believe it is important that low-income households are prioritised during this transition. If this isn't done tariffs and other incentives which rely on ownership of flexible technologies could become 'middle class subsidies', which create the risk of people who are not homeowners or have no access to capital being left behind<sup>5</sup>.

NEA are concerned that the Utility Regulator is putting too much stock in the ability of existing prepayment meters to provide households with information on usage. Whilst we recognise that some households may benefit from the flexibility offered by pre-payment meters, we do not consider PPMs to be appropriate for all fuel poor homes. We know from first-hand experience that these households are prone to 'self-disconnecting' during times of difficulty. PPM customers can often: have a poor credit history; be severely indebted or be stranded on PPM due to the preferences of their landlords. Research from Citizens Advice earlier this year revealed 140,000 households (around 400,000 people) in the UK have regularly gone without gas or electricity due to not having enough money to top up their prepayment meter (PPM) in the last year alone. The accrual of standing charges throughout a period of self-disconnection can have a devastating effect on vulnerable customers, as when they do eventually go to top their meter up, they can find that they are merely clearing debt instead of gaining the credit that they need. This is a particularly stark issue in the winter months, where this can lead to the most vulnerable customers struggling to keep their homes warm.

NEA are also concerned about the ability of Distributed Energy Resources (DERs) leading to lower prices in affluent areas, which by extension would see lower income areas shouldering a larger proportion of the network costs. As we outlined above, any additional costs to low income and fuel poor households presents serious risk to those in fuel poverty. Therefore, there will be a need to protect low-income households from this emerging vulnerability, either through carefully thought-out protections, development of social tariffs, or by ensuring equal access to DERs, and their benefits, through provision of grants and facilitation of community-based energy generation schemes.

**2. In addition to the key drivers mentioned (distributed energy resources; increasing popularity of electric vehicles; development of battery technology; the emerging market for energy aggregators; and digitisation and data usage), are there any others that you consider to be a significant factor in affecting future electricity use?**

NEA believe that the decarbonisation of heat within the home should be considered as one of the key drivers. The transition to decarbonisation will represent a significant change for most if not all households in Northern Ireland. We know that consumers will be required to change how they heat and power their homes, and by extension how they live and operate within their homes. The electrification of heat offers a way for households in Northern Ireland to transition from fossil fuel based central heating systems to cleaner decarbonised alternatives. Currently 68% of NI households

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<sup>5</sup> Keatley (2021) 'Smart Meters and Flexible Demand in Northern Ireland'.

are reliant on heating oil, many of which are in rural areas and therefore less likely to be able to avail of gas. The use of home heating oil will need to be phased out of all NI homes over the next few decades. Whilst we don't yet know which heating systems will be considered the most appropriate solution for households in Northern Ireland, we can assume that as more and more households switch to decarbonised heat (for example through heat-pumps) the demand for electricity will increase. This will likely vary based on both the location and the condition of households. Ensuring vulnerable households, especially those in rural areas, have access to fair distribution tariffs will therefore be of paramount importance.

Additionally, we know that consumers will be required to become more energy efficient if Northern Ireland is to successfully transition to 'Net Zero energy' by 2050, as outlined in the Department for Economy's recent consultation on the new energy strategy<sup>6</sup>. This will be achieved through improving the energy efficiency of homes and encouraging behavioural change within the household. These changes in consumer behaviours may result in a reduced demand for electricity.

Consideration should also be given to the changing patterns of homeworking brought about as businesses and organisations adapted to the COVID-19 pandemic. Many organisations are likely to continue to offer their employees a varied work pattern with access to flexible home working even after the pandemic.

### **3. Do you consider that economy and efficiency should continue to be key factors in the Utility Regulators role in the transition process?**

NEA believe that energy efficiency should be considered the 'first fuel'. We know that energy efficiency improvements offer a tried and tested cost-effective approach to reducing household carbon emissions, whilst also alleviating the hardships on fuel poor households and contributing to ensuring warm, safe, and healthy homes. It is estimated that poor insulation means around £1 in every £4 currently spent heating UK homes is wasted<sup>7</sup>. The Home Energy Conservation Authority (HECA), led by the NI Housing Executive, annual report shows a current annual investment of £21 million on energy efficiency in Northern Ireland. To align with 2050 Net Zero commitments, it is estimated that policies would need to drive an annual peak of retrofits for over 50,000 buildings within the next decade<sup>8</sup>. By comparison, current energy efficiency programmes in NI deliver measures for approximately 16,500 buildings per year, indicating that a doubling or trebling is needed. All organisations within the energy sector will have a role to play in improving energy efficiency in Northern Ireland. The Utility Regulatory is well placed to help drive forward improvements in energy efficiency, as demonstrated through the Northern Ireland Sustainable Energy Programme (NISEP) and NEA believe this should be a key factor in the UR's role in the transition process.

The UR will also be required to play a key role in ensuring fairness for all consumers to avoid any detriment, especially to those considered vulnerable or fuel poor. This will be particularly important

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<sup>6</sup> Department for Economy, Energy Strategy for Northern Ireland: Consultation on Policy Options (2021) Accessed online: <https://www.economy-ni.gov.uk/sites/default/files/consultations/economy/energy-strategy-for-ni-consultation-on-policy-options.pdf>

<sup>7</sup> Marmot Review Team (2011) The Health Impacts of Cold Homes and Fuel Poverty

<sup>8</sup> Department for Economy (2020) Research into the Future of Energy Efficiency Policy in Northern Ireland.

in the context of recovering policy costs. Policy costs faced by domestic consumers and how these costs are subsequently recovered via bills has a big impact on fairness. Some consumers face stark challenges paying for policy costs as they are usually recovered in a flat rate within standing charges. This is particularly acute for pre-payment customers as these charges must be paid for upfront before these households can access any units of energy. In addition, VAT is often recovered on the whole energy bill, including on the proportion of the bill which pays for policy costs.

**4. Which of the key drivers outlined do you think present the largest impact for Northern Ireland specifically – and why?**

While NEA recognise that all the drivers will have a significant bearing in Northern Ireland, we believe that digitisation and data usage has the potential to have the largest impact. Smart and digital technologies offer many benefits for consumers including improved energy efficiency and access to the most competitive tariffs. However, it is estimated that currently c.20% of the population has limited access to the internet. We know these households already face an energy cost premium of £300 per annum because they are unable to access the best deals or miss out on programmes that are only accessible to those that are online. Therefore, there is a need to ensure that consumers without access to the digital sphere are not left behind or disadvantaged.

In the context of the energy transition digitalisation will be a key enabler in the move towards a smarter, cleaner and more resilient energy system. Intelligent management and co-ordination of energy demand in Northern Ireland will go a long way towards helping maximise the ability of Northern Ireland's indigenous renewable energy resources (i.e. Wind and Solar). To enable consumers to play a role in flexing energy demand it is first necessary to know not just how much energy is being consumed, but also when, where, and by whom. Deploying intelligent metering devices which can gather and communicate this information in real time will therefore be a critical building block in enabling smart energy systems.<sup>9</sup>

**7. Do you think that digital technology, which offers customers live information on consumption and bills, is necessary for tariffs to provide adequate pricing signals?**

It is widely recognised that data will be a key enabler of the energy transition generally, and to realising consumers benefit from the transition. Data is of course important in Northern Ireland's current energy sector but will become increasingly important and valuable as the energy sector transitions. For example, SMART Meters will be a useful and important tool for encouraging consumers to adopt behavioural change. Studies from the UK have found that 44% of consumers had reduced energy bills following the installation of a smart meter in their home, and 43% were more likely to turn down the heating or switch off their lights<sup>10</sup>.

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<sup>9</sup> Keatley (2021) 'Smart Meters and Flexible Demand in Northern Ireland'.

<sup>10</sup> ECTA (2017) Smart meters: the consumer view

NEA welcome the drive to introduce smart and digital technologies. These technologies can offer many benefits for consumers including improved energy efficiency and access to the most competitive tariffs. Digital technology will play an important role in securing consumers fair and consistent pricing. Smart Meters make energy consumers aware of their consumption, and by managing what is consumed and when, can minimise costs, reduce greenhouse gas emissions and increase energy security by helping to reduce demand peaks. There will however be a need to ensure no households are left behind. This means all advice and information must be equally accessible to vulnerable households and those not connected to the digital sphere.

**1. If changes were made to tariffs, should this wait until all customers have access to up-to-date technology that allows the change to have maximum impact?**

Any changes to tariffs that could benefit low income and fuel poor households (through reducing energy costs) should be prioritised as a means of addressing the hardships faced by those living in fuel poverty. This includes the distribution of new technologies such as SMART Meters or the rollout of schemes to empower changes in the behaviour of consumers. NEA staunchly believe in the 'help the worst first' principle and call on the Utility Regulator to adapt this principle to ensure fairness.

**2. Different tariff structures place emphasis on different factors such as cost-reflectivity, managing peak demand, simplicity, reducing price volatility, and providing more information to customers. Which objectives do you think tariffs should be designed to prioritise?**

Tariffs should be designed to protect consumers first and foremost. This means ensuring a range of options to support the broad scope of consumer types, whilst encouraging fairness.

In the context of the energy transition, NEA recognise that there will be a need for flexible tariffs designed to support low carbon technologies if they are to be adopted on mass. Analysis of comparative heating cost in Northern Ireland as of April 2021 show that the costs of running a ground-source heat pump in an average 3 bedroom home equates to approximately £1359 per annum<sup>11</sup>. This is significantly more than the current costs of home heating oil (£738) in a similar sized dwelling making it unviable for many households at present.

**3. With regard to non-discrimination and cost reflectivity, are there deficiencies in the current tariff system which could be remediated?**

Under the current tariff system, we believe there are deficiencies in the way in which network costs are distributed amongst energy users in Northern Ireland. In particular, we believe that lower income areas and fuel poor households are exposed to a disproportionate amount of the energy network

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<sup>11</sup> Sutherland Tables Comparative Heating Costs – Northern Ireland – April 2021.



costs when compared with more affluent consumers. Consumers who can micro-generate are typically required to contribute less towards the costs and maintenance of the electricity grid, despite still requiring connection to the network and being able to avail of the same level of service as those consumers unable to benefit from micro-generation. The technologies required to micro generate include expensive upfront costs, and often require physical conditions (space, infrastructure, weather etc.) that lower income households simply don't have access to. This in turns means costs are shouldered disproportionately by lower income and fuel poor households. We know that any additional costs to household runs the risk of pushing vulnerable households into fuel poverty and worsening the conditions for those already impacted.

As Northern Ireland moves towards decarbonisation of power and heat, more and more microgeneration will come online. Therefore, there will be a need to review how network cost are distributed to ensure vulnerable consumers are not further disadvantaged.

**4. Do you think there are factors other than price that effectively incentivise consumers to change their behaviour? Which of these (including price) would you expect to be the most powerful incentive?**

Yes – consumer behaviours are influenced by a diverse range of factors including their levels of engagement, their education, their health and wellbeing, environmental or political concerns and other wider societal and cultural issues which consumers consider to be morally the right thing to do (as an example see the reduction in sales of Single-Use Plastics or consumers avoiding Palm Oil based products). Many consumers, when empowered, will choose to modify their behaviours for reasons beyond price or cost. The high uptake levels of home recycling, which provides little direct benefit to consumers, demonstrates the success that can be achieved through active engagement, simple messaging, and adequate support structures<sup>12</sup>.

It would be reasonable to expect that a similar positive behavioural change shift could be achieved from consumers considering the 'Net Zero Agenda' and the move to reduce carbon emissions to mitigate against the impacts of climate change. Research carried out by the Utility Regulator found that a majority (64%) of consumers surveyed said they are concerned about climate change with 59% saying they consciously minimise the amount of energy they use at home to help reduce carbon emissions or limit climate change. Providing consistent clear messaging and wider support structures will be key to encouraging and empowering consumers to make a change.

It is worth highlighting that face-to-face energy advice is widely acknowledged as essential by practitioners<sup>13</sup> and researchers<sup>14</sup> (as well as more recently by the UK Government with the Bonfield Review which addresses energy efficiency consumer advice and protection, standards and frameworks

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<sup>12</sup> The Consumer Council (2021) 'Energy Strategy for Northern Ireland the Consumer Council Response to the Consultation on Policy options'. Accessed online: [https://www.consumercouncil.org.uk/sites/default/files/2021-07/Consumer\\_Council\\_Response\\_to\\_DfE\\_Energy\\_Strategy\\_Consultation.pdf](https://www.consumercouncil.org.uk/sites/default/files/2021-07/Consumer_Council_Response_to_DfE_Energy_Strategy_Consultation.pdf)

<sup>13</sup> NEA (2012) Green Deal and Energy Company Obligation: The design and delivery of energy efficiency and fuel [http://www.nea.org.uk/wp-content/uploads/2016/02/02-NEA-2012-GD\\_advice.summary.FINAL\\_.pdf](http://www.nea.org.uk/wp-content/uploads/2016/02/02-NEA-2012-GD_advice.summary.FINAL_.pdf)

<sup>14</sup> Jacques, B. et al (2016) Relationship experts - Behaviour Change and Home Energy Coaching. Funded by the Welsh Government. Available: [http://www.nea.org.uk/wpcontent/uploads/2016/07/Relationship-experts\\_final-report.pdf](http://www.nea.org.uk/wpcontent/uploads/2016/07/Relationship-experts_final-report.pdf)

for enforcement). Face-to-face advice not only helps to ensure that beneficiary households can effectively use any new technology, but it can also help to ensure that beneficial behaviours are adopted, and any energy-related problems or challenges can also be addressed.

**14. Because there are fixed costs to using the grid, costs are not exactly proportionate to consumption. Do you think that tariffs should be more reflective of the service that is being provided through the network connection?**

Yes – to address the issues highlighted in our comment in response to question 11.

**16. Would you expect tariff reforms to be introduced quickly over a short time period, or to be eased in gradually?**

To protect consumers and give them enough time to prepare for the changes brought about to their energy costs we would expect tariff reforms to be eased in gradually. Ideally their implementation would be done in combination with an information drive, targeted at ensuring consumers are made aware of the rationale for reforms, and of any impacts the changes might have on their energy bills.

As consumers in Northern Ireland can choose from a diverse range of payments, we believe it will be important to ensure that ‘cooling off periods’ are of sufficient length to allow consumers to experience the changes in practice. For example, consumers who pay for their electricity every three months may not fully appreciate the impact of any reforms until they have ‘lived’ through a billing period and seen the costs first-hand’.

The transition should be fair for all – if the Utility Regulator decides to introduce reforms over a short time period how will they ensure low income or vulnerable consumers are not disadvantaged?

**17. Would you expect tariff reforms to be applied to all consumers, or only certain subgroups or a certain proportion?**

NEA are unable to provide an informed response to this question without knowing specific details of the proposed tariff reforms, the subgroups for which reforms would be applied to, and additional details of any protections which might be implemented along with the tariff reforms.

**21. Do you have views on whether consumers could modify their behaviour, if the incentive to do so was right? Or are usage patterns largely fixed by factors outside of their control?**

Unfortunately, NEA has witnessed first-hand the lengths some consumers must go to in order to balance household costs. Vulnerable consumers, low-income households and those living in fuel poverty are required to modify their behaviours daily. This includes being forced to make the difficult decision of choosing between food or warmth or both. Consumers who self-disconnect only do so because it presents as a better option than accumulating further debt.

**22. There are a range of options for monitoring the impact of reforms, such as surveys, analysis of complaints, billing questions, and usage monitoring analysis. Which do you think would be most effective?**

NEA believe it important that monitoring of the impacts of any reforms is undertaken using a range of approaches to ensure all consumer groups are adequately represented. This must include a degree of person to person contact to ensure those consumer groups not connected to the digital sphere are not discounted in the analysis. Whilst most consumers may be able to respond and give feedback via online monitoring tools, low income and vulnerable consumer groups are typically less equipped to engage in this type of monitoring.

Ensuring that vulnerable consumers are adequately represented in any monitoring plans should be a priority of the Utility Regulator, as it will be this group that faces the largest impact should the reforms fail to deliver their intended outcomes.

**23. Should consumers be protected from large bill increases caused by the reforms even if this needs to be funded by a cost elsewhere? If so, how long should the protections be in place for?**

Yes – NEA believe protecting consumers, and in particular low income and fuel poor households, from large bill increases caused by reforms will be fundamental to ensuring fairness within Northern Ireland's energy system. As outlined above even small changes in energy bills can have a significant detrimental impact to those households who are considered to be in, or at risk of, fuel poverty.

Protections should be in place for as long as individual households require.

**28. At what stage in the reform process would it be optimal to engage consumers and (how) should this vary over time?**

Consumers should be engaged throughout the process. Without explicit consumer engagement you do not know what they want, and there may be legitimate good reasons why consumers are happy with their current tariff options.

We thank you for the opportunity to respond to you with these comments.

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