



Action for Warm Homes
Northern Ireland

National Energy Action NI
Response to the
Utility Regulator for Northern Ireland's Public
Consultation

'SONI TSO governance consultation'

June 2021



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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 600¹. 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).

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.

¹ 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>

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

We welcome the opportunity to respond to the SONI TSO Governance Consultation Proposals.

As the electricity Transmission System Operator (TSO) for Northern Ireland, SONI has a critical role to play in the delivery of Northern Ireland energy policy and enabling a successful energy transition. To fulfil this role and discharge its duties effectively, it is vital that SONI's governance arrangements are effective in protecting Northern Ireland consumers both now and in the future. NEA are concerned that the current governance arrangements in place are inadequate and therefore increase the risk of potential harm to consumers in Northern Ireland. In particular, we are concerned by the findings of the Utility Regulator's (UR) review that the current governance model could lead to:

- Inappropriately higher prices for NI Consumers
- Misalignment of NI policy and the SONI approach to network development
- Barriers to competition

Each of these risks have the potential to increase the burden on consumers and exacerbate the impacts of Fuel Poverty in Northern Ireland. Evidence shows that incomes in Northern Ireland are stretched, especially for the most vulnerable, and that energy costs remain the biggest concern for consumers². The impacts on vulnerable consumers are of particular concern to us. In Northern Ireland we know that more than 1 in 5 households are experiencing Fuel Poverty. Any risk to vulnerable consumers must be considered as unacceptable. Lifting households out of Fuel Poverty can be the difference between life and death for those worst affected.

We strongly believe that all bodies within the energy sector, and especially those who are regulated, have a moral duty to ensure consumers are treated equitably and that those who are vulnerable are protected. As such we welcome UR's decision to review SONI's governance arrangements.

NEA recognise that the ongoing high level of interconnection between the Northern Ireland and Republic of Ireland electricity markets means that SONI/EriGrid will continue to be one of the most influential players in our electricity market. SONI will also have an important role to play in Northern Ireland's transition to decarbonised energy, through developments in grid infrastructure to support the policies which will be implemented in the wake of the new Energy Strategy for Northern Ireland. It is therefore critical that the regulatory and governance processes surrounding SONI ensure the needs and interests of consumers in Northern Ireland are fairly reflected and adequately protected.

NEA have long been calling for an end to 'Postcode Lotteries' within energy provision. This also applies to the cost of energy within the Single Electricity Market (SEM). Protections are required to ensure

² Consumer Council Northern Ireland (2019) Accessed online:
https://www.consumercouncil.org.uk/sites/default/files/2019-05/Consumer_Insight_Survey_2019_Summary_Report.pdf

Northern Ireland based consumers are not paying disproportionately higher prices than counterparts in the Republic of Ireland.

We do not have the expertise to scrutinise all aspects of the consultation, but in the light of the work carried out by the UR we support the assertions that there appears, on the face of it, to be a lack of good governance and transparency. This should be put right as soon as possible to ensure that consumers are fairly and independently represented and protected within all aspects of SONI's role in Northern Ireland. Below we outline a broad response to a number of the issues presented within the consultation:

- NEA broadly agree with the UR's vision for good governance as per the UK Corporate Governance Code (UKCGC). The UKCGC sets out good governance principles and standards of good practice for companies on board composition and development, remuneration, shareholder relations, accountability and audit.
- We also agree with the UR assessment that SONI does not fit the vision for good governance, and the proposal that SONI should adapt to the UKCGC or explain to Northern Ireland consumers why it is not in consumers' best interest to do so. Our primary concern is that the current governance structure of SONI TSO is inadequate to ensure the protection of the interests of NI consumers.
- We are concerned that there are gaps in the existing license which could increase the risk of potential harm to consumers in Northern Ireland. We also consider it both timely and prudent to review the existing license at this time, as energy policy in Northern Ireland embarks upon a period of significant change as a result of both Brexit and the move towards decarbonisation.
- We would support the decision to strengthen the SONI TSO Licence to ensure operational independence from EirGrid and thus protect the interests of Northern Ireland consumers. We believe that SONI TSO should maintain managerial and operational independence from EirGrid so that it can address the specific needs of Northern Ireland consumers and set Northern Ireland specific strategies and policies.
- Of the four options the UR have proposed in respect to creating an effective SONI Board, we would support the implementation of Options B (An Independent SONI Board) or Option C (Standalone SONI within EirGrid Group).
- As the decision-making authority on all Single Electricity Market matters, we believe it would be sensible to consult with the SEM Committee when considering governance proposals. The principal objective of SEM committee is to protect the interests of consumers of electricity wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the sale or purchase of electricity through SEM.
- We believe that ensuring transparency in governance and a fair approach to consumer issues needs to be a key requirement of the TSO licence. To facilitate this properly we believe the SONI board should include independent directors who can adequately represent the Northern Ireland



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consumers within its membership. For this to be effective we believe board members should not be appointed by shareholders.

- As a regulated company, SONI ultimately serves to provide an essential service to consumers in Northern Ireland. SONI's projects, policies, operations, and governance must therefore ensure they are focussed on achieving benefits for the Northern Ireland consumers. Ensuring greater transparency in governance will be required to build public trust and confidence.

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

Response submitted by:

National Energy Action NI
1 College House
Citylink Business Park
Albert Street
Belfast
BT12 4HQ