



Action for Warm Homes
Northern Ireland

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

'SONI governance licence modifications'

March 2022

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 consumers 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 Survey¹, 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.

Energy prices have undergone an unprecedented rise during 2021, and this looks set to continue for at least 18 months. 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. These pressures are further amplified by the ongoing energy crisis, which has seen fuel prices soar to record levels.

Unfortunately, this means that many households in Northern Ireland face the prospects of living in cold homes for long periods of time, especially during the winter months. Homes play a crucial role in ensuring the health and well-being of individuals and households, and NEA believe that everyone in Northern Ireland should be entitled to live in a warm, safe, and healthy home.

¹ Northern Ireland Housing Executive (2016) House condition survey: <https://www.nihe.gov.uk/Documents/Research/HCS-2016-Main-Reports/HCS-Main-Report-2016.aspx>

We know that the cold kills. The Northern Ireland Statistics and Research Agency (NISRA) estimate that the Excess Winter Deaths (EWD) for 2020/21 was approximately 1,120². The same report details that there were 6,340 deaths in Northern Ireland in the winter period of 2020/21, which is the second highest number of winter deaths in the last 10 years.

Studies show there is a relationship between EWDs, low thermal efficiency of housing and low indoor temperatures³. EWDs are almost three times higher in the coldest quarter of housing than in the warmest quarter. We know that deaths from cardiovascular diseases are directly linked to exposure to excessively low indoor temperatures for long periods of time. This is because temperatures below 12 degrees Celsius result in raised blood pressure⁴. There is increasing evidence to show that children living in cold homes are more than twice as likely to suffer from a variety of respiratory problems than children living in warm homes. Exposure to cold increases the level of minor illnesses such as colds and flus and exacerbates existing conditions such as arthritis and rheumatisms⁵. To put it simply, we know warm homes are vital for ensuring good health and wellbeing.

Response

We welcome the opportunity to respond to the SONI governance licence modifications consultation.

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 consumers⁶. 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. During these times of extremely volatile energy markets any additional risks to vulnerable consumers must be considered

² Northern Ireland Statistics and Research Agency (NISRA), Excess Winter Mortality NI Report 2020-21. Accessed online: https://www.nisra.gov.uk/system/files/statistics/Excess%20Winter%20Mortality%20Report%202020_21.pdf

³ Marmot Review Team (2011), The Health Impacts of Cold Homes and Fuel Poverty

⁴ Department of Trade and Industry (2001), The UK Fuel Poverty Strategy. London: DTI.

⁵ El-Ansari W and El-Silimy S (2008) Are fuel poverty reduction schemes associated with decreased excess winter mortality in elders? A case study from London, UK. *Chronic Illness*, 4(4), pp.289–294.

⁶ Consumer Council Northern Ireland (2019) Accessed online: https://www.consumercouncil.org.uk/sites/default/files/2019-05/Consumer_Insight_Survey_2019_Summary_Report.pdf

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 welcomed UR's decision to review SONI's governance arrangements. This is the first review of SONI TSO's governance arrangements since SONI's acquisition by EirGrid in 2009. At the time of acquisition there were concerns as to whether Northern Ireland consumers would continue to be protected following the change in control of SONI.

NEA recognise that the ongoing high level of interconnection between the Northern Ireland and Republic of Ireland electricity markets means that SONI/EirGrid will continue to be one of the most influential players in our electricity market. SONI will 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 Northern Ireland based consumers are not paying disproportionately higher prices than counterparts in the Republic of Ireland. The Utility Regulator needs to have the appropriate powers to ensure it can provide the level scrutiny of SONI's operations required to protect NI consumers.

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:

- 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.
- NEA are fully supportive of the Utility Regulator's vision for SONI to be a '*strong and effective TSO that works on behalf of Northern Ireland consumers*'. It is our view that if this is truly to be achieved, then it is important that in the all-island arrangements, SONI must work as an equal partner with EirGrid TSO.
- It should be a considered a priority to ensure SONI TSO's governance must meet the needs of, and realise the benefits for, Northern Ireland energy consumers. Going forward, the structures need to be fit for purpose and appropriately designed and implemented.

- NEA recognise that there is a requirement within the SEM for the two TSO's (SONI and EirGrid) to work together effectively to coordinate the operation of the SEM. However, it is our belief that the changes to SONI's governance structure being proposed by the Utility Regulator will not hinder the ability of the TSOs to collaborate effectively. Rather, we believe the changes will help to ensure an equal relationship which should present a number of benefits for consumers.
- It is important to recognise that Northern Ireland is on the precipice of a dramatic energy transition to a lower carbon economy. This transition will present a number of challenges across the energy sector and SONI will have a key role to play in the implementation of NI Government policy. Therefore, there is a need to ensure that SONI is able to effectively achieve the NI Executive's targets in line with the interest of NI consumers. This must be in a manner which is transparent and increases accountability and trust in SONI TSO.
- Much to the concern of NEA, the governance review carried out by the Utility Regulator found that there was a lack of independence, transparency, and accountability on the part of SONI TSO. In EirGrid's current integrated governance model the manner in which the consideration of value or cost to Northern Ireland consumers is taken into account is not transparent, and indeed SONI is obliged to accept costs allocated by EirGrid to Northern Ireland consumers. NEA believe this puts NI consumers at a disadvantage and poses an increased risk to vulnerable households or those in fuel poverty.
- SONI is now so integrated into the EirGrid group that management and oversight of SONI TSO licence responsibilities are effectively discharged by EirGrid, and not by SONI. NEA are concerned that this enables much greater scope for significant conflicts of interest to emerge. This would inevitably pose further risks to NI consumers, something that can not be considered acceptable.
- NEA strongly support the Utility Regulator's proposed changes to SONI's governance. Following a review of the proposed modifications, it is our belief that the suggested changes will support the development of a strong and effective, well-led SONI, and ensure that EirGrid and SONI TSOs can collaborate and cooperate for SEM purposes. The proposed governance changes will ensure that SONI operates in an open and accountable manner thereby enabling UR and SEMC to regulate effectively.
- NEA support the Utility Regulator's decision to move forward with the license modifications outlined in Option C. Under this option a framework would be established which would allow SONI to make the case for a 'derogation' from the requirement for independence.
- Crucially, any derogation would be subject to submission of robust evidence, which we believe will ensure transparency and positive evidence-based outcomes for NI consumers.

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



Action for Warm Homes
Northern Ireland

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