



Action for Warm Homes
Northern Ireland

National Energy Action NI

Response to the
Utility Regulator for Northern Ireland's Public Consultation

GD23 - Gas Distribution
Price Control 2023-2028

May 2022



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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 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) figure 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 rheumatism⁵. 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 consultation on the GD23 - Gas Distribution Price Control.

Energy policy in Northern Ireland is set to embark on the most dramatic period of change in Northern Ireland's history. Whilst this change will bring many opportunities for energy consumers including access to clean fuels, the roll out of new home heating technologies and improvements to the existing energy infrastructure; it also presents a number of challenges and risks for which consumers will need support to overcome. Within this context we believe the Utility Regulator must play a leading role in ensuring that policy decisions are based on long term sustainability to protect consumers during the energy transition.

In general, NEA believe there is a need to ensure that existing consumer protections (across all utilities) are maintained and strengthened. In comparison to other countries NI has a very small retail market and therefore does not benefit from economies of scale. For this reason, we consider that it is unlikely to attract enough suppliers for competition alone to form the basis of consumer protection. Therefore, we consider that the best way to protect domestic consumers (and in particular those who may be vulnerable) is to maintain high standards of regulation, including price controls on the biggest supplier.

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.



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It is clear that the route to fully decarbonised gas remains uncertain. NEA are therefore concerned that the continued promotion of gas and the rollout of the gas network might no longer represent the best approach for Northern Ireland. We have pressed the Department for Economy and the gas industry to provide us with evidence which could support the financial viability of both Hydrogen and Biomethane gas within the context of home heating, but to date this has not been forthcoming. We are concerned that these new and untested fuels could be very expensive for households in NI. We believe more work must be done to evaluate costs. Lower income households do not have the luxury of choice when it comes to lower carbon fuels. It is therefore of paramount importance that these households are supported and protected through the energy transition. This includes ensuring their energy prices are affordable in both the medium and longer term.

Whilst we agree that the key principle applied by UR *'that the gas mains should only be laid where there is a reasonable prospect that the initial outlay cost will be paid back over the useful economic period at current tariff levels'* is sound in theory, it is important that we recognise that current tariff levels in NI are unacceptably high. We know that many households are now struggling with the costs of living and that energy prices are commonly identified as the biggest burden. We believe that using current tariff levels could therefore run the risk of skewing what is deemed to be viable.

NEA welcome the progress made by the UR on bringing forward the Best Practice Framework for Suppliers and Network Operators. This programme could have a transformational impact in terms of consumer care and support and should not be underestimated. We hope that DNOs and Suppliers will embrace the programme and together we can ensure all vulnerable consumers in Northern Ireland are adequately supported.

It is encouraging to see that the proposals in this draft determination should result in some savings for energy consumers. During these unprecedented times of energy hardship, any reduction in consumer bills is welcome.

NEA would also like to see further efforts to obtain more detailed information and data around vulnerable consumers' use of pre-payment meters (PPMs) and the levels of self-disconnection in Northern Ireland. With currently 45% PPM customers in the electricity market, 62% in Gas Greater Belfast and 82% in Gas Ten Towns, we believe there is a need for further exploration into the range of aspects of coping with a PPM. To date we still do not have enough information to adequately assess the degree of self-disconnection, rationing, consumer behaviour, accessibility, ease of use, PayPoint issues and many other aspects. The Pandemic shone a spotlight on the inadequacy of the gas PPMs, which included the need to physically top up with an individual needing to take the prepayment card to a PayPoint venue, the maximum vends of £49, the individual needing to take the card to the meter, which is positioned outside the house and often in a hard-to-reach location. In our experience, PPMs have failed to protect the most vulnerable, and indeed in many cases have exposed them to additional risks.



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With regards to the roll out of Smart meters to households NEA believe that this should be actioned as a priority. There is demonstrable evidence that Smart Meters can help households reduce their energy use, therefore lowering bills and helping to reduce carbon emissions. NEA believe that UR should embrace the principle of helping the worst first by ensuring an expedited rollout to vulnerable households who will see the most benefit from Smart Meter systems. Doing so would be a big step towards ensuring a fair and just energy transition.

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

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