

**UTILITY REGULATOR'S CALL FOR EVIDENCE ON PROTECTION FOR
CONSUMERS DURING ENERGY DECARBONISATION
NIE Networks' Response
1 March 2023**

Introduction

Delivery of the Energy Strategy presents a considerable challenge for the energy industry, one that NIE Networks is proactively embracing. Our vision is to provide an electricity network that is capable of facilitating Northern Ireland's overall plan to address climate change, which aims to achieve net zero carbon and affordable energy by ending our society's reliance on fossil fuels and associated price volatility.

We are currently developing our Business Plan for the period 2024 – 2031. The plan is designed to deliver meaningful outcomes for customers – and, in particular, our most vulnerable in society – alongside meeting the requirements of the Utility Regulator's Consumer Protection Programme and Best Practice Framework. The plan reflects the priorities of our customers, identified through direct engagement with them and with consumer representative groups.

Q1 Is this overview missing anything material – please provide evidence and/or examples of any other relevant current protections which should be considered?

While regulation in general should protect consumers in terms of costs, we would observe that the statement under the UR that "Price Controls to ensure prices are as low as possible" is a narrow interpretation of the UR's vires/mandate which is "...to protect the interest of electricity consumers..." Protection of consumers should also be viewed in the longer term to include sustainability and security of energy supply which could involve costs in the short term, but longer term security and cost savings. We note that in the UR's Forward Work Plan for 2023-24 includes a work stream on reviewing their vires to ensure that it is appropriate in light of energy strategy and climate change legislation.

Q2 How could the organisations outlined above effectively utilise existing consumer law as a toolkit for delivery of consumer protections in the context of energy transition?

Being mindful of the urgency to progress the transition of the local energy system to achieve energy strategy and climate change targets for 2030, the UR in conjunction with DfE, could and should work to broaden to the extent possible their interpretation of the UR's existing mandate, and take a balanced and holistic view as possible of what it means to 'protect the interests of electricity consumers' to include short term cost impacts in the RP7 price control to achieve a long term sustainable, secure and net-zero electricity system.

Fuel poverty levels in Northern Ireland are high and another way of addressing this issue is to consider how the legislative frameworks are set up to encourage inward investment in Northern Ireland. NIE Networks currently sees businesses opting to move elsewhere in the UK or RoI due to high connection costs to the network. In NIE Networks' view, this is counterproductive to protecting consumers during the energy transition. NIE Networks acknowledges that the UR has a review of

connections policy in NI in its Forward Work Programme and will support this review in any way it can.

Q3 How can partnership working be facilitated better between each of the organisations outlined above to deliver a more joined up approach to effective protection for energy consumers in the context of energy transition?

The Consumer Engagement Advisory Panel (CEAP) includes representation from the Utility Regulator, Department for the Economy, The Consumer Council and NIE Networks and it helps to shape investment plans for RP7. We have found this collaborative approach essential to drive better consumer outcomes and look forward to building on its success in the future. For the RP7 Price Control, NIE Networks is proposing an Evaluative Performance Framework. As this is brought forward in RP7, it would be worth considering how these two forums best work together and whether there are any gaps that need to be addressed in relation to consumer protection.

Q4 Are there specific identifiable gaps in the existing consumer protection frameworks to determine how future consumer protection frameworks could be improved providing more comprehensive coverage?

We would refer to our response to Q1 on security of supply. While security of supply is typically a licence condition of energy system operators, it is based on conventional fossil fuel arrangements, e.g. Fuel Security Code, System Defence Plan and System Restoration Plan. In future such licence conditions/codes will no longer be appropriate and require significant revision.

DfE is carrying out a Cost Benefit Analysis exercise on Smart Metering which could mean that smart meters are introduced in Northern Ireland. At present NI is quite unique in the number of Keypad Meters installed. NIE Networks considers that how Smart Metering is implemented in Northern Ireland would need to be cognisant of the level of prepayment meters.

During the recent Energy Crisis, NIE Networks has been heavily involved in dealing with supplier queries which should be dealt with by suppliers. Whilst we recognise that this was an exceptional circumstance that suppliers were facing, it would be good to understand how we design in further support when consumers are put under so much pressure. Ultimately, government support in the form of support schemes has been implemented, however it felt as if NI consumers were left behind the rest of the UK. A more targeted approach for support could have had a bigger impact, this has not been possible due to data quality issues and this is a possible area for focus to allow more tailored support in future.

Q5. What consumer harms are we trying to protect against in the context of a decarbonised energy system? Please provide evidence and/or examples.

There is a risk that passive consumers could bear a greater cost burden as more consumers become “active” and reduce their energy consumption, but fixed

costs remain the same. In a volume-driven tariff system this could mean passive customers bearing a disproportionate share of the fixed costs as active consumers reduce their volume of energy consumed. Coupled with the current cost of energy crisis, this risk highlights the urgent need for tariff reform. We would reference section 3.3.2 (Looking After All Our Customers) of our [Networks for Net Zero](#) publication and section 4.7 (Pricing) of our [Greater Access](#) to the Distribution Network publication.

With new and emerging markets for selling, installing and operating Low Carbon (LCT) technologies and energy services there is a risk of the spread of misinformation and miss-selling, leading to exploitation of vulnerable customers. This underscores the need for honest and impartial advice and trusted information that the DfE's proposed "One Stop Shop" could provide.

The digitally excluded should also be an area of concern. This consumer group may overlap with the passive consumer or the vulnerable consumer. Our experience, in terms of call handling statistics (and separate customer preference and satisfaction surveys) is that customers still have a strong preference for telephone contact. In 2022 when customers are reporting faults 79% via telephone call with only 21% were reported via the website facility. This may indicate that a significant proportion of people either do not have access to, or confidence with, digital mediums. There will be an ongoing need for a multichannel approach in all communications, application processes etc.

The absence of smart metering in Northern Ireland restricts the flexibility suppliers have to support vulnerable customers. Smart Metering will allow tariffs to be designed to allow customers to flex their demand to ensure they are using electricity at the least cost possible. At present we know that customers are choosing to self-disconnect which is something that Smart Meters would offer alternatives to this behaviour.

Q6. Which groups of market participants should the consumer protection be applied to in the context of a decarbonised energy system e.g. suppliers installers? Please provide evidence and/or examples providing more comprehensive coverage?

(Cormac to provide response?) - I'll try and get Cormac in the morning, if not – no comment

Q7. What are the benefits or the risks of delivering protections which are entirely prescriptive; entirely principles based; a hybrid of both prescriptive and principles?

Principles as set out in the Call For Evidence are important so that consumers can see what outcomes the Energy Industry is aspiring to deliver. Where possible under these principles, the relevant stakeholders should be considering actions that can be agreed and parties held accountable against. However, we recognise that the uncertain nature of how energy systems will evolve, being entirely prescriptive will in itself create real risk by curtailing innovation and new emerging markets that could provide benefit and cost savings for all consumers in

the longer term. Therefore, close collaboration by the relevant stakeholders to develop annual actions against the principles would possibly be a way forward, whilst allowing new markets to emerge.

Q8. Are there other approaches that could be considered, instead of or alongside principles-based in an NI context? Please provide evidence and/or examples of alternatives?

No comment

Q9. Are there examples/evidence of principles or rules that are fundamental to consumer protection specifically in the context of energy transition?

The current volume-driven tariff structures share fixed costs across all consumers with those consuming more paying proportionally more. It is very important that throughout the energy transition a system of fair charging is put in place, with future tariff arrangements structured in a way so that consumers who cannot actively participate or reduce their consumption receive appropriate cost protection. As mentioned earlier, tariff reform will be key to identifying the risks in the current model and adapting tariffs so that they are fair across all customers.

Q10. Please provide evidence, insights and/or examples of the types of protection which could be used for the various heat sources technologies and sectors and the advantages or disadvantages of these.

With new and emerging markets for selling, installing and operating Low Carbon (LCT) technologies for heating there is a risk of the spread of misinformation and miss-selling, leading to exploitation of vulnerable customers. Again we underscore the need for honest and impartial advice and trusted information – and protection - that the DfE’s proposed “One Stop Shop” could provide. As heat becomes electrified it is important that the quality of the installation is at the right level and NIE Networks is informed where appropriate. Therefore, there may be merit in some sort of licencing or standard to be introduced for installers to adhere to.

Q11. Please provide evidence, insights and/or examples in relation to whether fuel for heating such as oil, coal or LPG should be included within any new consumer protection framework?

Vulnerable consumers due to their circumstances often they lack access to the opportunity or capital to install other heat technologies and may not be able to move away from oil, coal or LPG. While these heat sources may not be sustainable in the net-zero energy system of the future. In the absence of funding or support to transition, they will need to remain as a short-term option for the protection of vulnerable customers.

Q12. What other insights on consumer protections in the transition do you think we should be considering?

EV Charge Points will be rolled out to support mass adoption of EVs. We would highlight that there may be a need to consider how consumers are protected from excessive pricing and whether there will be enough competition to keep costs low.

Q13. Please provide evidence, insights and/or examples of what other type of business practices should be considered in relation to protection during transition?

We would again reference the DfE plans for implementing a “One Stop Shop” and the role it would play in protecting and informing consumers with regards to the energy transition. While its strategic objectives explicitly say that it will not act as a regulator or handle complaints, the provision of impartial advice and education will act as protection against misinformation or miss-selling of energy services.

Q14. Please provide evidence, insights and/or examples of what type of business practices should be prioritised for consumer protection in the context of transition.

The Utility Regulator is planning to introduce Best Practice Framework in relation to service levels for vulnerable customer. NIE Networks considers this an opportunity to heighten the level of support for customers. An aspiration of this programme should be the development of a single register that all utilities in NI have access to.

Q15. Please provide any evidence, insights and/or examples of the optimal type of system for managing complaints and redress that could be employed for NI energy consumers.

There are several relevant principles that need to be applied:

- Companies must be easily accessible
- Customers must be provided with a variety of communication channels to contact the company, depending on what suits them best
- Details of customer complaints/ queries must be logged and recorded
- It's important that customers receive a prompt and appropriate response
- Where a query cannot be resolved or another company needs to respond to the query, there should be a referral system in place rather than customers being passed from pillar to post
- It must be clear to customers who to contact about certain queries and that relevant information is easily accessed and set out in a clear and concise manner

Q16. Please provide evidence, insights and/or examples of potential content, coverage and implementation of ‘general protection principles’ in a future NI consumer landscape.

No comment

Q17. Please provide evidence, insights and/or examples as to what additional protections domestic consumers will likely need as the energy transition develops?

In line with the Energy Strategy Action Plan, Building Regulations will continue to incrementally increase standards for energy efficiency and to include Low Carbon Technologies (LCTs), such as heat pumps or electric car charging, on new build housing etc. Specifying the inclusion of LCTs could force consumers into a much more expensive connection to the network (compared to a conventional non-LCT connection) with no ability to control the requirements or the cost. We note that the UR is to bring forward a consultation on reviewing connection charging which should help protect customers against such connection costs.

Q18. Please provide evidence, insights and/or examples as to what additional protections vulnerable consumers will likely need as the energy transition develops?

Vulnerable consumers tend to fall into the passive consumer category as their circumstances often mean they lack access to the opportunity or capital to install the technologies to become more active and realise the subsequent benefits. As stated in Q5 above, there is a risk that such vulnerable/passive consumers could bear a greater cost burden as other consumers become “active” and reduce their energy consumption, but fixed costs remain the same. In a volume-driven tariff system this could mean passive customers bearing a disproportionate share of the fixed costs as active consumers reduce their volume of energy consumed. Again, against a cost of energy crisis, this highlights the urgent need for tariff reform.

Q19. Please provide evidence, insights and/or examples as to what additional protections microbusinesses will likely need as the energy transition develops?

NIE Networks sees small businesses with aspiration to reduce their electricity consumption from the network by installing on site renewable generation. Depending on where these businesses are located, their expansion plans and/or decarbonisation plans come to a halt when we issue a quote for connection that has material reinforcement costs. This will hopefully be addressed in the UR’s review into connection policy in NI.

Q20. Please provide evidence, insights and/or examples as to what additional protections Industrial and Commercial consumers will likely need as the energy transition develops?

As industrial and commercial consumers seek to decarbonise business processes and reduce costs (as well as meeting ESG requirements) there will be a move to either low carbon alternative fuels (bio-fuels, hydrogen, etc.) or electrification/Low Carbon Technologies (LCTs). While businesses typically have better access to the capital to install such LCTs there could be potentially high costs for new and increased capacity electricity connections – high connection costs could be a barrier to business growth.

Q21. Please provide evidence, insights and/or examples as to what additional protections Public Sector consumers will likely need as the energy transition develops?

Public Sector consumers such as Councils may experience similar challenges to those listed above. This consumer group will rely heavily on impartial advice and support to ensure they are able to make best value choices for those they represent. Having access to information and support is critical – and not just from a technical perspective but also funding opportunities. The Public Sector could play a vital role in the energy transition and there is the ambition from this sector to do so but collaboration is key to ensure that this happens in the most effective way.

Q22. Please provide evidence, insights and/or examples as to what additional protections Voluntary and Community Sector consumers will likely need as the energy transition develops?

As q21

Q23. When considering what consumers and protection areas may need covered, please provide evidence, insights and/or examples of what protection gaps should be prioritised, and how should this prioritisation be undertaken?

No comment