

Call for Evidence on

Protection for Consumers during Energy Decarbonisation

We all have a part to play in moving to a net-carbon zero society and Phoenix Natural Gas Ltd. (Phoenix) welcomes this Call for Evidence (CfE) regarding how consumers will be protected during the transition to a decarbonised energy system.

Whilst we provide our thoughts on consumer protections in this response, we believe we will have a more active role in the next phase of this project, in particular the workshop to support development of options for future protection frameworks.

The gas network is a secure way of delivering energy to properties and the gas industry recognises that *"...whilst natural gas will play a key bridging role in Northern Ireland's journey to net-zero, the NI Gas Network must transition away from the distribution of natural gas to renewable gases like Hydrogen and Biomethane."*¹

At Phoenix, we are working on ways to decarbonise home heating, enabling gas customers to continue enjoying all the flexibility of gas with minimum disruption, by using our existing infrastructure to deliver renewable gases direct to their homes.

Whilst the Northern Ireland (NI) gas network now reaches c.550,000 homes and businesses, its development required the rollout of a new network (as opposed to conversion of an existing network), and a significant marketing and awareness campaign to encourage consumers to switch to gas from oil, which had become the "fuel of choice" in NI when gas was first introduced in 1996. The success of NI's regulated gas industry involved establishing an independent gas industry supply chain that included qualified installers, training centres, product manufacturers and appliance retailers to deliver positive consumer outcomes in a market where there was, and continues to be, competition with oil, an unregulated fuel source. In our experience customers typically had to make an informed, conscious switching decision to install gas to their properties. We believe that this customer decision was influenced by the protections, including consumer protections, offered under the regulatory framework and indeed that this framework was critical in the switching decision taken by those early adopters of natural gas.

Therefore, the use of appropriate regulatory frameworks and other properly defined consumer protections will be critical going forward as consumers are potentially asked to again embrace a changing energy landscape, to ensure that the good and fair outcomes they have come to expect are maintained or enhanced. This will be particularly relevant in a growing marketplace offering a range of technical solutions which does not have a central brand or identity responsible for market growth and consumer welfare.

¹ <https://www.phoenixnaturalgas.com/assets/general/13810.001-20pp-Pathway-to-Net-Zero-v12.pdf>

As referenced above the gas industry required, and continues to benefit from, an expansive and coordinated supply chain of consumer focused organisations that share a common purpose of market growth in a manner that provides an inclusive service across all customers. A wider energy industry will again become critical in the energy transition context and consideration of how consumer protection measures are used effectively in this space will need to be assessed. However, it is essential that the appropriate level of oversight does not prevent competition in these services and impact on consumer choice.

Over time consumer protections associated with the gas industry have evolved in line with the needs of consumers and we remain passionate about delivering the best possible standards of service which means taking the time to understand and cater for different customer needs. We continually look at ways to improve and adjust our services to ensure positive outcomes for all customers and therefore we look forward to continuing to work with the Utility Regulator in the coming year as it reviews its Consumer Protection Programme and finalises its Best Practice Framework project to ensure that gas customers, particularly vulnerable gas customers remain protected.

Whilst repurposing the gas network to deliver renewable gases does not require gas customers to radically change their behaviour, or carry out an expensive retrofit of their home, the transition to a decarbonised energy system may require us to embrace additional responsibilities and we expect these regulatory protections to continue to evolve with customer awareness playing an increasing role. They will also need to focus attention on identifying those who are significantly less able to represent their interests on the pathway to net zero to ensure they are being afforded appropriate support and protections.

The current toolkit for delivery of consumer protections is therefore appropriate for gas customers in the context of the energy transition, however there must be a consistency to the protections afforded to all consumers regardless of the energy source, technology or provider they believe best meets their household needs. Whilst there have been, and will continue to be emerging technologies that support decarbonisation ambitions, such technologies will require high quality installation and specifications which will demand suitably robust regulation of downstream practices (like there is for gas) to ensure energy consumers benefit from high performing, efficient and affordable energy solutions. The impact of specifying the wrong solution or a substandard installation will detrimentally impact an energy consumer much more than at any time in the past such are the sensitivities and lack of tolerances on such systems.

This may require a review of the current landscape of protection in Chapter 3 of the CfE to ensure effective partnership working and identify if there are any specific gaps in terms of accountability and cohesion that could be improved to provide more comprehensive coverage, and the same protections, to all energy consumers. It may also require a review of the role of the Health and Safety Executive for Northern Ireland (HSENI) and other functions, such as those provided by the Gas Safe Register for the gas industry, to be considered in the context of consumer protection as new technologies emerge.