

Consultation Response on GD14



Action for Warm Homes

**Price Control for Phoenix Natural Gas Ltd and
firmus energy Distribution Ltd (“GD14”)**

September 2013

Consultation on the Energy Bill – Policy

National Energy Action Northern Ireland (NEA NI), the leading fuel poverty charity welcomes the opportunity to respond to this consultation from the Northern Ireland Authority for Utility Regulation (NIAUR).

The latest House Condition Survey showed that in 2011, 42 per cent of households in Northern Ireland were in fuel poverty. This is one of the highest rates in Northern Europe and is three times as high as the level in England and nearly double the rate in Scotland and Wales.

Additionally, Northern Ireland Customers face higher energy bills than elsewhere in the UK - spending £348 more per year on average mainly due to the fact that 68% of households are reliant on home heating oil, a non-regulated fuel.

Summary of statistics from the NI House Condition Survey 2011

- Total level of fuel poverty in Northern Ireland is 42.0%
- Private Rented housing sector is the housing tenure with the highest level of fuel poverty at 49.1%
- Total rural fuel poverty is higher than the Northern Ireland average at 44%
- Urban towns outside Belfast City show a higher rate of fuel poverty than the Belfast Metropolitan area
- The most at risk age grouping are those over 75 years
- Household income below £10,000 correlates with the highest occurrence of fuel poverty
- Those retired are more likely than those not working to be in fuel poverty

In the light of the size and scale of fuel poverty in Northern Ireland it is imperative that every available opportunity is taken to mitigate this problem and GD14 provides opportunity to do this.

Fuel poverty will remain a problem until we can remove our reliance on home heating oil. Customers switching from a non-condensing oil boiler to a condensing natural gas boiler can save up to £670 per annum. It is therefore imperative that we bring gas to more Northern Ireland households by maximising connections to the existing gas network and extending the network further to help eradicate fuel poverty.

This will require the interventions from a number of key government departments and while this response is made directly to NIAUR its relevance in relation to gas extensions is also pertinent to Department of Enterprise Trade and Investment (DETI). The Department for Social Development (DSD) who are the lead for fuel poverty need to be mindful of scheme design such as the Boiler Replacement Scheme, Warm Homes Scheme and emerging Area Based Approaches taking due cognisance of the gas landscape to ensure households are not encouraged to change to new oil boilers when within time and strategic actions gas and renewables may become available. This area is a key concern for NEA NI as schemes seem to be designed without strategic foresight. Therefore engagement should continue between NIAUR DSD, DETI, NEA NI and other key stakeholders to meet the outcomes of the Strategic Energy Framework. Additionally partnership work should continue to maximise the potential of the Targeting Maps developed by the University of Ulster, these highlight areas of greatest fuel poverty and therefore could help target where gas connections should be made and licensed areas extended to.

While we welcome the harmonisation of the PNGL and fe price controls, the two companies operate different models and face different challenges in relation to infill and houses passed due to the geographical nature of their

respective market areas. We want to see a balance in order to ensure that the gas networks grow while understanding the GDN's respective nuances while still reflecting a fair price for the customer in GD14. For example Ballymoney and surrounding area is a different conurbation to Greater Belfast.

We also note that the price control proposals would result in a reduction to PNGL and fe tariffs by £25 and £51 per annum as indicated in the 6th September presentation, although we note that the original consultation, Price Control for Northern Ireland's Gas Distribution Networks GD14 Consultation Paper 16 July 2013 states that:

'The customer impact could result in the average PNGL domestic customer paying around £49 less per annum. For industrial and commercial (I&C) customers, particularly large ones, the difference will be greater given their higher consumption levels.

With regards to fe, this could result in the domestic customers paying on average around £74 less per annum. For I&C customers, particular large ones, the difference will be greater given their higher consumption levels.'

It seems that there is some confliction around the potential saving to customers and we therefore require clarification on these figures. While we welcome savings for existing customers we note that NIAUR's principle objective to promote the development and maintenance of an Efficient, Economic and Co-ordinated Gas Industry in Northern Ireland, we are therefore mindful that to achieve this there will be a need for greater investment for more customers tomorrow. This is not an easy balance to strike, however one that we believe needs to be addressed. As stated above Northern Ireland's over reliance on oil contributes to fuel poverty and must

be overcome. We welcome early discussion on this issue to influence future price controls.

With reference to the 45% difference between NIAUR's and fe's Opex trending figures we question this variance. That said we acknowledge the economic skills in producing these figures, an area of expertise outside our remit, however the disparity raises some concerns about the strength of the data used to produce said figures.

We are disappointed to see that outperformance will not be shared with PNGL customers, the sharing of which could have potentially saved 2-3% off PNGL customer bills now and into the future. This is due to the fact that in the past our regulation did not make it clear that as is the case in GB, outperformance should be shared with customers. This issue while historic has implications for customers now and into the future and it reinforces the need for strong and robust regulation from NIAUR.

We note that the consultation has highlighted that the rate of return would be reviewed in 2016 to reflect risk at that time and that the rate of return would be professionally calculated. The current rate of return of 7.5% is significantly higher than the GB rate which is 4.83%. This rate is a fundamental aspect to the Customers bill and as such a fair and equitable rate should be set for the next price control.

We welcome the harmonising in relation to meter exchanges. The prepay meters assist householders in fuel poverty to 'pay as they go' thus enabling them to budget for fuel, therefore credit to prepay free meter exchange could assist the fuel poor. We note that there is a charge for prepay to credit with the exception for vulnerable customers. We would like to see more information on how a customer qualifies as a vulnerable customer. We want it to be clear when pay as you go is being promoted and installed that those

with a disability, older and frail customers are protected as they may come to require an indoor meter for ease of access, or a move back to a credit meter.

The consultation refers to a range of other issues such as the incentives. We recognise there are mechanisms which remunerate GDN's on the basis of connections and this allowance applies to owner occupier domestic connections. Does this mean that other customers in different tenures could be disadvantaged? We want to ensure that fuel poor households, irrespective of tenure are given every possible opportunity to access the gas network which may call for a more innovative approach to rewards and penalties.

In conclusion, as the fuel poverty charity it would be remiss of us not to call for social action solidarity. We are aware that NIAUR carry out work in relation to social action and believe that this should be joined up with government departments and embedded within industry and specifically within GDN's. We acknowledge that while there is some excellent social action work being carried out, there is now scope within GD14 to direct GDN's to produce social action plans which will dovetail with NIAUR and NEA NI to tackle disadvantage and fuel poverty. These social action plans can highlight the importance of energy efficiency and behaviour change alongside the benefits of natural gas.

These comments and suggestions are made respectfully with the intention of ensuring that the fuel poor in Northern Ireland are represented and provided with an advocacy voice to influence energy pricing and policy.

We look forward to continuing to work with NIAUR as together we endeavour to bring affordable warmth to the people of Northern Ireland.

Ms Pat Austin
Director NEA NI

PA/20th Sep 13