

Executive Summary

Twenty-seven schemes were run during 2005-6, representing a total funding of £4,802,853. Total lifetime energy savings were 481.031 GWh, with 132,010 tonnes carbon savings and £30,109,726 customer energy cost savings over the lifetimes of the measures. These figures continue the year-on-year increases in savings commensurate with greater funding levels available.

Eight schemes were in the Priority (Fuel Poverty) sector and the remainder were non-Priority domestic (14 No.) and non-domestic (5 No.). Although a number of schemes did not progress, the higher number of submissions resulted in 50% more schemes being run this year than last year. The definition of eligible Priority schemes was widened last year to include homes with existing solid fuel central heating systems.

This year, for the second time, schemes were submitted by a second tier supplier. The submissions were successful and the scheme completed. Total incentive payments were around £783,387, somewhat in excess of expectations based on previous years. OFREG has agreed that the basis for setting targets and incentive payments should be reviewed prior to a further Levy period from April 2007.

Funding for the Levy this year was actually provided not from a levy on electricity customers but from the DETI (for non-commercial schemes) and from the PSO Levy (for commercial schemes). DETI funding could not be directed to commercial schemes due to EU State Aid rules. This resulted in a reduction in electricity bills while allowing the Levy to operated as normal.

The terms of the new framework document were fully implemented last year, with schemes being submitted in a competitive bidding process, which was maintained this year. The key criterion (compliance with the terms of reference of the framework document and correctly calculated estimations of savings having been confirmed) was cost effectiveness. The competitive element (commercial schemes) was almost fully subscribed and no schemes were required to be rejected. The other pots were slightly over-subscribed, but since NIE alone had bid into those pots, they were allowed to adjust their schemes as necessary to fall within the overall funding limit. Eight NIE submissions were withdrawn for various reasons and the resulting funds taken up by other successful NIE schemes.

Dr Patrick Waterfield on behalf of EST

Summary of NI Energy Efficiency Levy Schemes 2005-6

1.0 Introduction

- 1.1* The 2005-06 period of the Levy was the fourth following the increase in funding to £5 per customer and the shift from energy efficiency in general to fuel poverty. As recommended by the Assembly, 80% of funding was directed towards the fuel poverty sector (Priority) with the remaining 20% for non-Priority domestic schemes and also non-Domestic schemes.
- 1.2* The Framework Document identifies dwellings at risk of fuel poverty as those having no central heating or having electric storage heating systems. This definition was widened last year to include properties with solid fuel central heating systems, which can also be indicative of fuel poverty due to the inefficiency of the systems. The term “fuel poverty proofing” was coined, to represent a package of measures - hot water cylinder and fabric (walls and roof) insulation, as well as heating system replacement (fuel switching) including controls - which are applied to those dwellings at risk of fuel poverty as defined above, accounting for 80% of total funding available.
- 1.3* In previous years 40% of Levy funds has been directed to EAGA, to supplement the DSD funding of the Warm Homes scheme. In 2004-5, at the request of OFREG, the figure was pegged at ca £1.6m, approximately the same sum as in the previous year. Also, under the terms of the new Framework Document, this would now apply to Warm Homes Plus only, which provides the package of measures required for Fuel Poverty Proofing of a dwelling. These terms of reference applied in 2005-06.
- 1.4* The remaining portion of Priority funding provided full fuel poverty proofing packages (as described above) yielding numbers of dwellings “Fuel Poverty Proofed”. The portion directed to Warm Homes Plus again supplemented DSD funding (typically by meeting insulation costs and topping up heating system replacement where the DSD ceiling was insufficient) yielding figures of numbers of dwellings “Fuel Poverty Proofing Assisted”. Corresponding targets were set.
- 1.5* Apportionment of savings was applied to schemes which were not fully funded via the Levy, had received funding from other public bodies and which the relevant supplier had not instigated themselves. Warm Homes Plus is an example of such a scheme, for which only the savings attributable to Levy funding were allowed to be claimed. For other schemes receiving public funding full savings can be claimed, provided that the scheme did not exist prior to the Levy involvement and that the Supplier had been instrumental in instigating the scheme.
- 1.6* In the year 2003-04 the Levy was more explicitly opened up to Second Tier suppliers, with a bidding process introduced, to ensure that the most cost-effective schemes were selected to proceed. Last year (2004-05), however, was the first year that a Second Tier supplier had submitted a scheme. The submission, from Energia, was

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successful in the bidding process and duly proceeded to completion. This year, two submissions from Energia were successful and were run to completion.

1.7 A significant factor in the 2005-06 Levy (as in the year 2004-05) was that the funding came not from a levy on customers but from DETI, which had decided to spend some of a fund of public money on offsetting energy price rises. However, due to EU constraints on state aid, the DETI funding could only apply to non-commercial schemes, that is, the Priority, non-Priority Domestic, or public sector non-Domestic schemes. The remaining Commercial Schemes were to be funded from the PSO Levy.

1.8 Approximately £4.4m was provided from DETI for the non-commercial schemes and around £376,000 was provided from the PSO Levy for the commercial schemes. DETI also covered incentive payments from the previous year (ca £667,000).

2.0 Utilisation of Levy Funding

Ref No.	Scheme Title (P = Priority Group, nPD = non-Priority Domestic, nD = non Domestic, C = Commercial)	Cost (£)	Lifetime Savings		
			Energy (GWh)	Carbon (tonne)	Customer (£)
ENA0501L	Total Lighting Concept (C)	84,927	14.012	4,549	1,363,347
ENA0502A	VSD Scheme (C)	108,298	48.449	12,421	4,714,135
NIE0501M	Church House (nPD)	52,612	3.980	1,360	205,023
NIE0502M	Co-ownership (nPD)	17,852	1.749	590	93,894
NIE0503L	EEAC CFL Giveaway (nPD)	95,830	23.739	6,620	2,136,490
NIE0504M	RCN Community Halls (nD)	22,392	1.649	474	77,469
NIE0505O	Phoenix Free Boiler and Insulation (P)	471,833	31.051	7,777	1,284,743
NIE0506O	Milk Cooler Heat Recovery (C)	9,635	1.072	268	109,259
NIE0507A	Appliance (nPD)	28,974	3.936	908	387,972
NIE0508M	Help the Aged (P)	160,391	5.207	1,328	212,881
NIE0509M	Haz Insulation Scheme (P)	63,511	2.870	967	149,162
NIE0511M	HAZ Cross Border (P)	98,821	3.661	947	152,980
NIE0512O	Fuelstretcher Schools (nD)	54,767	23.690	5,168	1,170,816
NIE0513O	NEA Warm Start (P)	166,400	4.442	1,141	180,122
NIE0516M	Ulster Farmers Union (nPD)	91,795	8.697	3,009	406,789
NIE0517O	Cosy Homes (P)	459,312	41.488	10,541	1,518,937
NIE0519L	SELB Lighting (nD)	12,170	1.160	262	104,397
NIE0525O	Fuelstretcher Sheltered Housing (nPD)	7,099	3.540	774	197,201
NIE0526O	Northern Investing for Health (P)	48,050	2.321	617	98,974
NIE0527L	Powercell Low E Lighting (nPD)	53,423	12.553	2,530	1,129,728
NIE0528O	Warm Homes (P)	1,986,520	142.548	34,539	6,938,973
NIE0529O	CHP (C)	10,142	5.170	2,602	1,458,657
NIE0530O	Strabane Smokeless Scheme (P)	239,787	6.974	1,719	277,776
NIE0531L	Business Multi Choice Lighting (C)	162,996	28.933	9,419	2,820,103
NIE0532M	Energy Shareholders (nPD)	1,656	0.834	186	43,737
NIE0533O	CWI/LI Cashback (nPD)	273,378	56.174	20,980	2,829,257
NIE0534O	Lincoln Court Community Centre (nD)	20,282	1.132	314	46,904
TOTAL		4,802,853	481.031	132,010	30,109,726

Schemes in 2005-06 showing Costs, Lifetime Energy, Carbon and Cost Savings

- 2.1 The table above shows a summary of schemes implemented, Levy funding provided and lifetime savings in terms of energy, carbon and customer costs.
- 2.2 Funding was increased for Warm Homes Plus, due to some submitted schemes not progressing (the table above shows only the schemes that actually progressed) and others not proving as successful as predicted. The additional funding was approved by OFREG and was instrumental in allowing the Warm Homes Plus scheme to continue to operate.

3.0 Target Achievement and Incentive Payments

- 3.1 The overall energy saving target for 2005-06 was set at 308.35GWh. The target was higher than in the previous year, to represent the higher amount of funding available. As shown on the above table, the actual savings achieved were 481.031GWh. It is always anticipated that suppliers will exceed the target and thus earn incentive payments (see below).
- 3.2 The extent of over-achievement was thus 172.681GWh which, at a level of £4,415 per GWh as given in the Framework Document, yielded incentive payments of some £783,387. Of this, £599,551 was due to NIE and £183,833 to Energia. This is somewhat higher than the expected level of incentive payments from previous years. However, it should be noted that Energia, in particular, were very successful in persuading customers to adopt measures leading to greater energy savings, while NIE have continued to be successful in leveraging-in third party funding, thus enabling Levy funds to go further.
- 3.3 OFREG have agreed that the issue of targets and incentive payments needs to be reviewed prior to the setting up of a further period of the Levy which, if approved by the Authority, would commence in April 2007, with the bidding period opening in October 2006.

4.0 Extent of Priority Funding

- 4.1 As required in the Framework Document, Fuel Poverty Proofing targets were set for 2005-06. The target was 557 homes to be Fuel Poverty Proofed. In fact, in 2005-06, a total of 1027 homes were Fuel Poverty Proofed, comprehensively beating the target, with a further 1486 homes being Fuel Poverty Proofing Assisted via the Levy input to Warm Homes Plus.
- 4.2 Of the total of £4,802,853 spent on schemes in 2005-06, £3,631,114 was accounted for by Priority schemes, representing 75.6%. This figure is somewhat below the 80% normally directed to Priority schemes. From the above table, a total of 237.692 GWh was saved in Priority schemes, representing 49.4% of total savings. Thus it may be seen that while the recommended allocation to the fuel poverty sector was actually exceeded, energy savings were not commensurate with spend for this sector. This is

expected since heating measures, required for Fuel Poverty Proofing packages, are not as cost-effective as certain other measures such as insulation and lighting.

5.0 Funding Available and Targets for 2006-07

5.1 DETI has not indicated that it will fund the Levy programme next year, therefore the assumption is that it will revert to being funded from customers. The Framework Document proposes a target of 269.13GWh based on a predicted level of funding of ca £4,483,200, equivalent to £6 per customer. The projected spend and targets are thus a little lower than this year where funding was equivalent to £7 per customer.

6.0 Conclusions

6.1 The 2002-03 and 2003-04 Levy periods were seen as an interim period between the previous and new Framework Documents. Last year (2004-05) was the first in which all the terms of the new Framework Document were implemented, including the bidding process, which has been maintained this year.

6.2 A key difference this year (as last year) was that the Levy was funded from DETI, instead of from a levy on electricity customers. This decision was taken by DETI in order to disburse a fund of public money at its disposal and to help to reduce costs to electricity customers. Due to EU State Aid rules, the DETI funding could not be applied to Commercial schemes. Priority and non-Priority Domestic schemes were eligible, as were non-commercial (eg public sector) schemes from the Non-Domestic group. The remaining Commercial schemes were funded from the PSO Levy.

6.3 For the second year running, a submission was received from a second tier supplier, Energia. In fact, two Energia submissions were successful and the schemes progressed to completion, achieving impressive savings over those estimated and yielding a handsome incentive payment for savings over their portion of the target. NIE also achieved significant savings over those estimated yielding high levels of incentive payments. The basis on which targets and incentives are set will be reviewed prior to the next Levy period (assuming such is approved by the Authority).

6.4 The bidding process worked well and clearly resulted in the most cost effective schemes being selected. The fact that suppliers were aware of the cost-effectiveness criterion may also have contributed to savings being higher than expected, as more third party funding would have been levered in.

6.5 Fuel Poverty Proofing packages were implemented in Priority schemes and targets set in accordance with the recommendations of the Assembly. Thus it was possible to report the number of homes where fuel poverty was alleviated, including those receiving full Fuel Poverty Proofing packages as well as those assisted via the Levy input into the Warm Homes Plus programme.