

## Executive Summary

Thirty schemes were run during 2006-7, almost twice as many as in the previous year, representing a total funding of £5,006,756. Total lifetime energy savings were 615.260 GWh, with 132,087 tonnes carbon savings and £38,811,902 customer energy cost savings over the lifetimes of the measures (see summary table below).

Fourteen schemes were in the Priority (Fuel Poverty) sector and the remainder were non-Priority domestic (11 No.) and non-domestic (5 No.). Last year the definition of eligible Priority schemes was widened to include homes with existing solid fuel central heating systems and that was continued this year.

Last year, for the first time, a scheme was submitted by a second tier supplier (Energia). The submission was successful and the scheme completed. This year Energia (ENA) bid for 4 schemes, 3 of which were approved. ESBIE had also expressed an interest and were preparing a submission but had to withdraw it due to changes in the partner organisation which would prevent the works from going ahead. The remaining schemes were run by NIE Supply. Total incentive payments were around £1,000,000, greatly 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. The reasons for the high level of incentive payments was due to variations in the funding allocation between schemes, the mix of measures and fuel displaced, and also discrepancies between the actual levels and model assumptions regarding third party funding for certain types of scheme (see body of report). Options were explored for allowing the incentive payments to be reduced, but these were found unsatisfactory by OFREG and the full payments were approved.

The terms of the new framework document had been fully implemented last year, with schemes being submitted in a competitive bidding process, which was continued 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. In addition to the withdrawn scheme, three submissions were rejected as they were the least cost effective and the ceiling of funding for the respective pots had been reached.

Dr Patrick Waterfield on behalf of EST

## **Summary of NI Energy Efficiency Levy Schemes 2006-7**

### ***1.0 Introduction***

- 1.1* The 2006-07 period of the Levy is the final year in the £5 Levy Framework period 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 two years ago 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. This level of funding and focus on Warm Homes Plus was maintained during the 2006-07 period.
- 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 is applied to schemes which receive funding from other public bodies and which the relevant supplier has 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. In this case there is a requirement for any reporting to state clearly that other publicly funded bodies may be claiming some of the savings. This is avoid double counting by anyone using the reports in future to collate statistics on energy savings.

## Summary of NI Energy Efficiency Levy Schemes 2006-07

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 successful in the bidding process and duly proceeded to completion.

1.7 This year, three schemes were successfully submitted by Energia and run to completion (see Utilisation of Levy Funding table below). The other 27 successful schemes were operated by NIE Supply.

### **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 (£)
ENA0602L	ENA Lighting Scheme 2 nD	104,046	35.686	8,699	3,472,211
ENA0603O	ENA VSD Scheme nD	77,740	48.229	11,757	4,692,692
ENA0604O	ENA Refrigeration Scheme nD	63,537	15.860	1,924	730,146
NIE0607O	Fuelstretcher Schools nD	60,852	20.383	4,475	1,057,144
NIE0625M	Small Business Energy Efficiency nD	38,008	12.113	2,300	1,211,406
NIE0604I	B&Q Loft Insulation nPD	50,710	6.218	1,945	390,102
NIE0605I	Cavity/Loft Insulation Cashback nPD	268,525	81.369	17,535	7,021,902
NIE0609A	Appliance Trade-in Scheme nPD	36,514	4.773	1,070	429,545
NIE0616I	ADHAZ Insulation nPD	12,777	1.614	321	132,199
NIE0617I	Lurgan Insulation nPD	48,517	6.384	1,261	517,338
NIE0618I	Warm Start Insulation nPD	7,037	1.107	227	110,759
NIE0619La	Bulb Suppliers nPD	40,091	11.530	2,996	1,126,795
NIE0619Lb	HA & Fulfilment nPD	19,320	3.526	814	343,081
NIE0619Lc	Giveaway nPD	150,680	39.241	10,968	3,823,117
NIE0622I	Commercial Rural Homes nPD	119,994	22.067	4,561	1,824,570
NIE0623I	North Belfast Exposure Insulation nPD	5,599	0.888	167	74,962
NIE0601O	Free Oil Boiler and Insulation P	91,189	8.137	2,024	331,084
NIE0602O	Phoenix Snug Plus (Family Heating) P	278,449	29.978	6,438	1,073,378
NIE0603O	Phoenix Free Boiler & Insulation P	434,847	53.308	11,937	2,048,834
NIE0606O	Private Landlord Scheme P	46,381	3.807	781	196,339
NIE0608O	Help the Aged P	149,866	5.438	1,146	241,723
NIE0610O	Age Concern P	77,354	2.440	511	126,131
NIE0611O	Northern Investing for Health Year 2 P	125,206	7.170	1,521	311,690
NIE0612O	ADHAZ Priority P	100,110	3.189	662	160,638
NIE0613O	Lurgan Fuel Poverty P	163,042	3.229	693	130,328
NIE0614O	Cosy Homes P	379,919	36.752	7,629	2,094,338
NIE0615O	Critical Care P	62,925	2.190	539	96,306
NIE0624O	North Belfast Exposure Priority P	85,211	2.901	615	130,284
NIE0626O	Warm Homes Plus P	1,907,316	145.401	26,465	4,890,253
NIE0629O	Firmus Free Boiler & Insulation P	994	0.432	106	22,607
<b>TOTAL</b>		<b>5,006,756</b>	<b>615.360</b>	<b>132,087</b>	<b>38,811,902</b>

### **Schemes in 2006-07 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 2006-07 was set at 301.447GWh. The target was actually lower than in the previous year, to reflect the higher target for fuel poverty-proofing and the mix of measures in Warm Homes Plus (heating systems are less cost-effective than insulation). As shown on the above table, the actual savings achieved were ca 615.360GWh. 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 313.913GWh which, at a level of £4,415 per GWh as given in the Framework Document, yielded incentive payments of some £1,385,926. Of this, £1,063,321 was due to NIE and £322,605 to Energia. This is considerably higher than the expected level of incentive payments from previous years, especially in NIE's case.
- 3.3 The reasons for the high levels of NIE's incentives are 3-fold: firstly, there was a considerable difference in the fuels displaced in certain schemes relative to the model assumptions, which had the effect of increasing cost savings beyond those anticipated in the model; secondly, the model assumed that certain Priority schemes would not be able to lever-in third-party funding (this assumption was based on advice from NIE Supply at the outset of the £5 Levy Framework Period) whereas in practice third party funds were levered-in for these schemes; thirdly, additional funding was transferred to the Warm Homes Plus scheme from other schemes for which a higher target is set in the model, resulting in higher savings relative to targets. These issues are being addressed prior to the next Levy Framework Period. Energia's incentive payments were also considerably above expectations. However, it should be noted that Energia were very successful in persuading customers to adopt measures leading to greater energy savings than predicted initially.

### ***4.0 Extent of Priority Funding***

- 4.1 As required in the Framework Document, Fuel Poverty Proofing targets were set for 2006-07. The target was 474 homes to be Fuel Poverty Proofed. In fact, in 2006-07, a total of 1485 homes were Fuel Poverty Proofed, comprehensively beating the target, with a further 1448 homes being Fuel Poverty Proofing Assisted via the Levy input to Warm Homes Plus.

4.2 Of the total of £5,006,756 spent on schemes in 2006-07, £3,902,809 was accounted for by Priority schemes, representing 77.95%. This figure is slightly below the 80% normally directed to Priority schemes. From the above table, a total of 252.347 GWh was saved in Priority schemes, representing 41.0% 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 2007-08***

5.1 Next year (2007-08) will be the first year of a new Levy Framework Period. Work is currently under way on the new Framework Document and funding available will be confirmed, based on customer figures from NIE and confirmation of the rate in terms of £ per customer. Targets will then be set accordingly.

### ***6.0 Conclusions***

6.1 The 2006-07 Levy period was the last under the new £5 Levy Framework Period, during which a number of key changes have been made including a bidding process to take account of second tier suppliers entering schemes.

6.2 For the third year running, submissions were received from a second tier supplier, Energia. Three Energia 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, considerably in excess of those anticipated. The basis on which targets and incentives are set will be reviewed prior to the next Levy period.

6.3 The bidding process has again worked well and has clearly resulted in the most cost effective schemes being selected.

6.4 As in the previous two years, Fuel Poverty Proofing packages were implemented in Priority schemes and targets set in accordance with the recommendations of the Assembly. Thus it has been 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.