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Assisting with Affordability Concerns for Vulnerable Energy Customers

The Department for Social Development would like to take this opportunity to thank the Utility Regulator for carrying out this work on Social Tariffs.

As highlighted in the consultation paper, one of the recommendations emanating from the Fuel Poverty Task Force was to carry out a feasibility study on the introduction of Social Tariffs in Northern Ireland. The Utility Regulator kindly agreed to take this recommendation forward and the Department very much welcomes this paper.

Given the changes in the fuel poverty landscape in recent years, there is now a growing recognition that some new ideas are needed to tackle our rising levels of fuel poverty. Prior to 2008, we were making real progress towards the 2010 target, however 2008 saw unprecedented rises in energy prices and the economic downturn has left many households struggling to meet higher energy bills with falling household incomes.

Social Tariffs has been one solution which is constantly in the mix however, the mechanics of Social Tariffs pose some extremely difficult questions. At a time when we anticipate fuel poverty levels to have reached around 50%, the proportion of the population in a position to pay more for their energy is falling. We must also take account then of the fact that by imposing Social Tariffs on those on the margins of fuel poverty, the likely effect will be dragging those

households into fuel poverty and ultimately resulting in even higher levels of fuel poverty.

The Department believes this consultation will firmly open the discussion on Social Tariffs and allows for an informed exploration of the issue. Social Tariffs cut across a number of Government departments and therefore there are many of the questions posed in the document which DSD cannot provide an answer to. Taking this into account we will try and address the main issues in the following paragraphs.

Key Context Issues

The Department believes the paper sets out the majority of key context issues, however while we accept that this paper concentrates on gas and electricity as these are regulated, we feel that the oil industry should not be left out of the equation. We believe there is still a need to explore the feasibility of regulation of the oil industry. We also believe that while the paper sets out the unprecedented rises in energy costs in 2008, there is no reference to the economic downturn which has left many households in Northern Ireland with falling levels of income.

The Department would also highlight that in addition to administering the one-off Household Fuel Payment, we administer, on an annual basis, the Winter Fuel Payment, the Cold Weather Payments and also undertake a Benefit Uptake which aims to ensure that those in receipt of a benefit are claiming their full benefit entitlement.

Expanded Statutory Remit for Utility Regulator

The Department welcomes the exploration of this issue and have no doubt that this will generate much discussion. The Department would again raise the issue of the potential to regulate the oil industry and hope this could be explored under this heading.

Affordable warmth or Electricity Affordability/Anxiety about Bills

Improving energy efficiency has been at the heart of Government's Fuel Poverty Strategy. In addition to programmes such as the Warm Homes Scheme and the Housing Executive's Heating Replacement Scheme, there are a range of schemes, funded primarily through the Energy Efficiency Levy which also aim to improve domestic energy efficiency.

It could therefore be argued that as Government continues to tackle energy inefficiency, then new schemes which come on board should try and target one of the other causes of fuel poverty e.g. income or energy price. In this respect focusing on electricity costs could be a viable starting point.

Impact on Paying Customers & Source of Funding

DSD believes any tariff introduced must be an amount which will make a real difference to vulnerable customers. However, by its nature this is fraught with difficulties as imposing any tariff has the potential to increase the numbers in fuel poverty.

One of the proposals contained in the new Fuel Poverty Strategy (which will shortly be available for public consultation) is to introduce a severity index to allow more effective targeting of resources. The severity index would define severe and extreme fuel poverty as those spending 15% and 20% of their income respectively on energy costs. The introduction of a severity index could aid in identifying a potential target group.

Funding social tariffs is not an easy problem to solve. DSD would stress that Government resources in the current financial climate are stretched to the limit. However, in the absence of Government funding DSD does not believe that customers are the only alternative. Funding should come from a variety of sources. While some customers will inevitably have to make a contribution, there also needs to be some contribution from the energy industry. DSD appreciates that the energy companies are tightly regulated but we believe they still have a role to play. However, the contribution made by energy companies should not ultimately be paid for by customers. Funding for social tariffs should come from a variety of sources and should not become a choice between Government and consumers.

Household Characteristics associated with higher/lower electricity consumption

There are a range of household characteristics which can result in high electricity consumption such as illness or disability which leads to higher demand for heat, large families and houses with higher energy inefficiency levels, homes with young children or elderly occupiers. In many of these cases the occupants would be classed as vulnerable and therefore these additional factors must be taken into account.

Enhanced Energy Efficiency Advice for vulnerable households

At present there is a lot of information available to all householders in relation to improving energy efficiency. We do believe though that there is scope to deliver the energy efficiency message in a more co-ordinated approach. Energy efficiency awareness is improving however there is still some way to go.

Relative merits and disadvantages of helping poorest energy consumers through a fund or tariff.

If the options are either a tariff or a fund our preference is for a tariff if clear eligibility criteria can be established. A fund would be costly to administer and could be difficult to operate. A fund may also be open to the criticism that some of the most vulnerable (e.g. the elderly) would not be aware of the fund, don't know how to apply and therefore miss out.

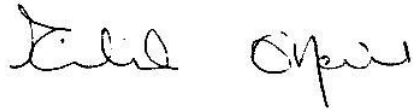
A tariff will ensure that resources are being used for the purpose for which it was intended.

Identifying eligible customers.

The Department is proposing to introduce a severity index which will enable more effective targeting of resources at the most vulnerable. Utilities should also benefit from the introduction of the Pensions Bill which will allow data sharing in relation to Pensioners.

Exit provisions in a scheme

The Department feels it is vital to set criteria at the outset but we recognise the difficulties this will present. It will be key to review the eligibility criteria after an agreed period of time and there must be flexibility to take account of changes in circumstances.

A handwritten signature in black ink, appearing to read 'Eilish O'Neill', written in a cursive style.

Eilish O'Neill
Housing Division