



*Campaigning for Warm Homes*

## **Assisting with Affordability Concerns for Vulnerable Energy Consumers**



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**NEA NI Consultation Response**

**April 2010**



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## **Assisting with Affordability Concerns for Vulnerable Energy Consumers**

National Energy Action Northern Ireland (NEA NI) welcomes the opportunity to respond to this consultation from the Northern Ireland Authority for Utility Regulation.

NEA NI is the lead Fuel Poverty charity working throughout the United Kingdom, with regional offices in each of the devolved administrations.

The definition of affordable warmth is where a household can achieve temperatures needed to maintain health and comfort for expenditure of less than 10% of income. NEA NI campaigns for affordable warmth in Northern Ireland.

Progress had been made in reducing Fuel Poverty in Northern Ireland between 2001 and 2004 (from 27% to 23%) but by 2006 the rate of fuel poverty had increased to 34%, largely as a result of the very significant increases in the price of fuel. Estimates for 2009 indicate that the level of Fuel Poverty in Northern Ireland is closer to 50%.

The three factors that affect fuel poverty are (1) energy efficiency of the home, (2) income levels and (3) fuel price. Of these three factors, it is fuel price that has proved most illusive and difficult to impact upon. Indeed, the volatile nature of fuel price, with its rapidly fluctuating cost patterns has resulted in an inability of Government to plan and manage this contributing factor in Fuel Poverty. The remaining two factors, income levels and the energy efficiency of the domestic home have been successfully targeted by Government initiatives such as the Warm Homes Scheme and benefit maximization.

### **Affordability Policy**

NEA NI supports the call for the provisions of the Energy Bill to be extended to Northern Ireland; indeed the Bill should cover England and all the Devolved Administrations. Extension of this Bill to Northern Ireland would make a requirement on Energy Suppliers to provide help and assistance to customers with the aim of reducing Fuel Poverty. NEA



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NI believes the Northern Ireland Authority for Utility Regulation should be in receipt of similar powers outlined in the Energy Bill.

NEA NI support the recommendation in the Consultation to, in the short term support a policy designed to reduce concerns around the payment for electricity usage. However, NEA NI would still call for the inclusion of the Gas and Oil energy suppliers in any affordability scheme if the impacts are to be meaningful. The un-regulated nature of the Oil industry is an issue that must be addressed, indeed there needs to be greater engagement with the sector and the Department of Enterprise, Trade and Investment who hold the remit for Energy in Northern Ireland. NEA NI would call for some investigations to be carried out into the crafting of Primary legislation for Northern Ireland in order for the Assembly, and subsequently the Northern Ireland Authority on Utility Regulation, to have adequate powers to deal with this issue.

### **Energy Markets**

Increased energy market competition would be welcomed by NEA NI, indeed it is our belief that increased levels of competition would have a positive effect on the levels of Fuel Poverty, allowing for customers have more flexibility in terms of energy supplier and payment options. Increased competition must deliver a better service for vulnerable customers. Furthermore the regulator is best placed to investigate the viability of social tariffs in consultation with their stakeholders. When markets fail to protect the vulnerable it is incumbent on Government to intervene and, in this instance, we see the NIAUR as an agent of Government.

### **Which customers and why?**

In order to identify a meaningful proxy for fuel poverty NEA NI believe that Older people in receipt of the guarantee element of Pension Credit should be targeted for any affordability scheme. We know the circumstances of these people and we have the mechanisms to communicate with them.



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NEA NI recognise that assistance to vulnerable older households through a social tariff funded through cross-subsidy is likely to represent the least contentious proposal for preferential treatment. We are also mindful that not all Older households claim their full benefit entitlement and that this constitutes a real problem. However, NEA NI believes that this issue should be resolved through development of an effective benefits take-up campaign and that entitlement to a social tariff must be complemented by access to grant-aided energy efficiency measures.

The priority should be to devise a social tariff specific and that, in order to provide a meaningful benefit the value of the social tariff must be in the region of £300 per year. NEA NI are fully aware that more will remain to be done and suggest that additional vulnerable groups could subsequently benefit from incremental extension of eligibility for the tariff based on further criteria such as the existing affordability water tariff model or entitlement to Cold Weather Payments.

### **Energy Efficiency**

It is the belief of NEA NI that energy efficiency schemes should always be included in any package of measures delivered to a household. Any affordability tariffs should be rolled out in conjunction with energy efficiency measures.

### **Conclusions**

NEA NI are aware that a social tariff will not lift the many thousand of households from fuel poverty but it will mitigate some of the worst impact of unaffordable energy prices for some of the most vulnerable households in Northern Ireland. However we would state, that the issue of targeting is allowing the debate to stagnate and that this cannot continue. Whilst we are fully aware that fuel poverty in Northern Ireland is rife across many diverse sections of society we have sufficiently robust information to establish some form of hierarchy of need. Older person households are predisposed to Fuel Poverty and that low income is almost invariably an associated factor.