

**NORTHERN IRELAND ELECTRICITY plc**

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

**NIE's RESPONSE**

12 April 2010





## **Introduction**

Northern Ireland Electricity plc (NIE) welcomes this opportunity to comment on the Utility Regulator's consultation paper. The consultation paper is both informative and comprehensive in its treatment of the key context issues (Q1). We note that this consultation represents the first stage in a proposed three stage process which will select a specific option for intervention to deal with energy affordability for vulnerable consumers.

## **The potential and appropriateness for an expanded statutory remit for the Utility Regulator to allow regulatory mechanisms to potentially tackle affordability issues**

The Utility Regulator draws attention to the fact that devising and implementing an affordability scheme that involves cross subsidy between customers groups would be contrary to its statutory powers and general duties. It is also the case that any regulated utility subject to a non-discrimination/non-cross subsidy licence condition, such as NIE, could not participate in such a scheme unless its licence obligations were modified accordingly.

Before considering this question further there is a more fundamental issue to be addressed, namely whether it is right for the Utility Regulator to play such an interventionist role given that the established social security system is already capable of providing any required assistance to vulnerable customers. NIE's firm view is that this is a role for Government (as the relevant EU Directives cited in the consultation paper point out) and consequently the provision and distribution of financial assistance should be effected through the social security system.

## **The suggested staged approach to affordability policy/scheme development**

We support the suggested three stage approach. It is important that each stage should focus on the primary causes of fuel poverty which we consider to be low income and high fuel costs (primarily heating oil in Northern Ireland). A wide perspective should be taken which takes account of the assistance already provided to vulnerable customers e.g. through the NI Sustainable Energy Programme funded by the general body of customers and the For Your Benefit / Vulnerable Customer Programme funded by NIE..

## **Key stage 1 questions/issues**

Subject to the above comments we consider that the consultation paper has identified the key issues.

**Should any policy intervention be aimed at affordable warmth in the round or a more limited problem such as electricity affordability and anxiety about bills**

Given that oil is the main heating fuel in Northern Ireland it would not seem sufficient to target solely electricity affordability. Therefore the policy should focus on “affordable warmth”.

**Intended target size and scope of any intervention, size of fund and impact on “paying” customers**

Based on the findings of the 2006 House Condition Survey (paragraph 77a of the consultation paper refers) the example quoted in paragraph 63 (£300 per annum) would require funding in the region of £76m p.a.

If electricity customers were to bear this cost (an entirely unreasonable proposition in our view), NIE’s PSO tariff would be the appropriate levy mechanism. Such a funding requirement would increase the current levy (on all customers) by 165%. Reducing the target size to 100,000 customers would increase the PSO tariff by 65%.

NIE considers that such potential tariff increases would be detrimental to the majority of customers and would have an adverse impact on the competitiveness of NI businesses.

**In the absence of additional new Government funding should any intervention on energy bills be paid for by all customers or a subset of customers?**

It is NIE’s view that the above potential funding requirements should not be delivered through energy bills but through funding of the social security system. However, if it is decided that some contribution should be made via energy bills then all customers should pay an incremental charge.

**The appropriate mechanism for the collection of funds**

On the basis set out above, an incremental charge on the PSO tariff would seem to be the most appropriate method in respect of any contribution required from the electricity sector.

**The appropriate mechanism for the disbursement of funds to eligible households**

As indicated above, we consider that it is Government’s role to provide the required funding and also to distribute it. In the event that NIE should have a role in levying funds, such funds should be passed over to Government as envisaged in the consultation paper (paragraph 96).

## **Social tariffs**

In the event that social tariff arrangements are to be preferred, NIE considers that Government should have the primary role in their administration. This should include responsibility for the identification of those customers eligible for a social tariff and the ongoing communication of that information to electricity suppliers and NIE as appropriate.

The administration of social tariffs would be likely to present significant data management issues. In particular, data protection obligations will require careful consideration where the process requires personal information to be provided by Government agencies to suppliers and/or NIE in order to identify those customers that are eligible for a social tariff. Furthermore, any requirement to match personal data from systems operated by Government agencies with the billing systems operated by electricity suppliers and NIE is likely to present a considerable challenge and will require detailed consideration.