

Assisting with Affordability Concerns for Vulnerable Energy Consumers

Consultation Paper

Response to Northern Ireland Regulator

The Housing Executive's position is that, in principle, it supports the idea of introducing social tariffs, subject to the provision of more details on how it would be implemented in practice. The Housing Executive would not support a scheme that would benefit some householders whilst other deserving cases (e.g. working fuel poor) could actually see their fuel poverty exacerbated. We would want any scheme to cater for the needs of all vulnerable groups, particularly the working fuel poor.

The Housing Executive would, however, support a proposal for a rising block tariff. The idea is that all households would receive a fixed number of units of electricity at a reduced rate whereas each unit used, above that threshold, would be charged a premium rate. The Housing Executive, as a Home Energy Conservation Authority, favours this proposal as it would encourage energy efficiency. Many households would either attempt to curb their usage within the threshold figure or minimise their consumption above it. The proposal would require some more work to consider how to protect vulnerable households who have to use larger amounts of electricity e.g., for medical reasons, family size, etc... However, in principal, it encourages energy efficiency for many households whilst permitting those prepared to pay premium rates to continue higher consumption patterns to do so.

Q1 (chapter 2): Are there any additional key context issues that should be noted?

No, the key context issues of fuel prices, energy efficiency, income levels and climate are covered.

Q2 (Chapter 3) Comments are welcome on the potential and appropriateness for an expanded statutory remit for the Utility Regulator to allow regulatory mechanisms to potentially tackle affordability issues.

The Housing Executive feels that it could only comment on this if the Utility Regulator presented more details on the potential format of regulatory mechanisms to tackle affordability issues. We would need to know more about how any potential schemes might be funded and administered before commenting.

Q3 (Chapter 3) Comments are welcome on the suggested staged approach to affordability policy/scheme development.

The Housing Executive agrees with the three staged approach to developing affordability policy/scheme development.

Q4 (Chapter 4) Have we identified the appropriate key Stage 1 questions / issues?

The three key questions outlined are relevant. However, a fourth relevant question would be “what are the financial implications for households who will not benefit from any scheme (how much more will they pay for energy)?

Q5 (Chapter 4) Comments are welcome on ‘scope and purpose’ questions/issues. Should any policy intervention be aimed at affordable warmth in the round or at a more limited problem such as electricity affordability and anxiety about bills?

Looking at affordable warmth in the round would require NIAUR to look at policy on oil heating. As NIAUR has no remit for oil, this paper should focus on electricity matters.

Q6 (Chapter 4) Comments are welcome on the issues raised above in relation to the intended target size and scope of any intervention, size of fund required to deliver this, and impact on ‘paying’ customers.

The table on page 19 of the report is very instructive. Based on 250,000 fuel poor households receiving £200 per annum towards their electricity bills, all other domestic consumers (500,000) would see their bills increase by nearly £100. Assistance of £300 per year would see everyone else’s bill increase by nearly £150. The Housing Executive believes this would be very unpopular and divisive, particularly among households such as low income workers, who although forming around one third of the fuel poor never qualify for any assistance. Yet again, they will end up paying more to subsidise those on benefits who in many cases already have higher incomes than the working fuel poor. Middle income households too are unlikely to welcome what they would see as yet another form of taxation. Another flaw in this proposal is that it does not encourage energy efficiency. Households receiving a discounted tariff may not feel incentivised to minimise consumption.

Q7 (Chapter 4) Comments are welcome on policy funding questions/issues. 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?

The Housing Executive does not believe that any intervention on energy bills should be paid for by all customers or a subset of customers. In the current economic climate, businesses are already hard pressed in meeting their own energy costs. Nor do we feel that some domestic customers should subsidise others, unless there is an absolute guarantee that low income working households will benefit. Based on past experience, we have seen interventions where consumers in receipt of benefits receive assistance because they are easy to identify, whereas low income workers, who represent around one third of the fuel poor, receive no help. We must avoid a situation where low income workers are asked to pay more for their energy in order to assist households on benefits who, in many cases, already have a higher income than the working fuel poor. Such a situation would not only be inequitable but divisive. The Housing Executive would however support a scheme to provide discounted electricity for people of pensionable age but believes that this should be paid for by Government. Winter fuel payments could be used to fund all or part of this. Funds could be targeted at lower income pensioners who form a larger proportion of the fuel poor.

Q8 (Chapter 4) Comments are welcome on the issue of which customers should be targeted for help (and why) and to what extent per annum.

As outlined above, the Housing Executive could not support any scheme that helps only one section of the fuel poor at the expense of others. We cannot support any proposals that further excludes and marginalises low income working households in fuel poverty.

Q9 (Chapter 5) Can respondents identify a data set that would enable us to assess the risks to different customer groups of equating 'high user' with 'not vulnerable'?

We are not aware of any such data set. In the absence of others identifying such a data set, we would suggest that some research be carried out on this issue. It would seem reasonable to assume some high users will be vulnerable, e.g., due to large family size, health issues, etc....

Q10 (Chapter 5) What other household characteristics are associated with higher or lower electricity consumption?

Higher electricity consumption may be due to large family size, illness, old age, dependence on electric heating, etc.... Low usage may also be due to low income resulting in self disconnection, fuel rationing, etc....

Q11 (Chapter 5) Respondents' views are welcome on the issues raised in relation to an appropriate mechanism for the collection of funds.

The Housing Executive welcomes a debate around the proposal outlined on page 83 to consider charging a higher per-unit mark-up to households who use more energy. Although attributed to Skyplex Consulting, this idea of a rising block tariff was aired a number of years ago by the previous Regulator. The idea is that all households would receive a fixed number of units at a reduced tariff whereas each unit used, above that threshold, would be charged a premium rate. The Housing Executive, as a Home Energy Conservation Authority, favours this proposal as it would encourage energy efficiency. Many households would either attempt to curb their usage within the threshold figure or minimise their consumption above it. Of course there are likely to be wealthier households who would be content to pay a premium rate to continue their high consumption pattern. A variation of this is already used by Phoenix Gas. The proposal would require some more work to consider how to protect vulnerable households who have to use larger amounts of electricity e.g., for medical reasons, family size, etc... Some research may be required to assess the number of vulnerable households in this category. However, in principal, this proposal encourages energy efficiency for many households whilst permitting those prepared to pay a premium rate to continue higher consumption patterns to do so.

Q12 (Chapter 5) Views are welcome on need for enhanced energy efficiency advice for vulnerable households including size, resourcing and best-delivery options.

The Housing Executive agrees that enhanced energy efficiency advice for vulnerable households must accompany any new affordability scheme. This could be delivered through existing advice networks such as NI Energy Agency, Advice NI, CAB, etc...

Q13 (Chapter 5) Views are sought on the relative merits and disadvantages of helping the poorest energy consumers through a fund, or a tariff.

Setting up a fund to assist the poorest energy consumers would invariably incur annual administrative charges from whoever collects and disburses the assistance. A rising block tariff solution, as outlined above, would also involve some set up and running costs, but in the long run, these are not likely to be as much as those involved in administering an annual fund. Helping the poorest customers through a fund or a tariff is not mutually exclusive, both forms of assistance could be developed.

Q14 (Chapter 5) Respondents' views are welcome on the issues raised in relation to identifying eligible customers.

The Housing Executive strongly believes that identifying eligible customers for any affordability scheme should be based on total household income. Any scheme that identifies eligible customers on the basis of benefit entitlement alone, discriminates against lower income working households who represent around one third of the fuel poor. Previous efforts to help all fuel poor households failed on the basis that it is too difficult to identify working fuel poor households not in receipt of benefits. Government bodies such as HM Revenue & Customs hold data on the incomes of all working households. If necessary, legislation should be enacted to allow such agencies to share this data with specified authorities that would administer affordability schemes.

Q15 (Chapter 5) We invite comments on an appropriate mechanism and potential costs for the disbursement of funds to eligible households.

As stated above, legislation may be required to permit data sharing to identify all of the fuel poor, irrespective of whether assistance is disbursed by energy companies or public bodies.

Q16 (Chapter 5) We welcome respondents' views on the potential impact of affordability schemes on the retail market in Northern Ireland and potential for competition.

The Housing Executive agrees that any scheme should be market-neutral and should not deter competition in the energy sector.

Q 17 (Chapter 5) Comments are sought on the appropriateness of creating exit provisions in a social tariff scheme, and on how these might best be designed.

The Housing Executive would support both proposals for (a) a sunset provision where any scheme is time limited and reviewed before possibly extending it and (b) there is an expiry threshold where the scheme might end if the unit cost of energy dipped below particular levels.

Q18 (Chapter 5) Comments are sought on the proposed assessment criteria for any scheme.

The Housing Executive supports the proposed assessment criteria for any scheme as set out in paragraph 104 of the Consultation Paper.

