



The Consumer Council

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Alison Farr
Social & Environmental Sustainability
The Utility Regulator
Queens House
14 Queen Street
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26 September 2012

Dear colleague

Re: Northern Ireland Sustainable Energy Programme (NISEP)
Consultation on revised Framework Document for 2013-2014

The Consumer Council welcomes the opportunity to respond to this consultation.

The Consumer Council is an independent consumer organisation, working to bring about change to benefit Northern Ireland (NI) consumers. Our aim is to make the consumer voice heard and make it count.

We have a statutory remit to *promote and safeguard the interests of* consumers in NI and we have specific functions in relation to energy, water, transport and food (the Consumer Council and the Food Standards Agency (FSA) have a memorandum of understanding and the Council's strategic focus on food is primarily in relation to food prices and customer experience). These include considering consumer complaints and enquiries, carrying out research and educating and informing consumers.

The Consumer Council is also a designated body for the purposes of supercomplaints, which means that we can refer any consumer affairs goods and services issue to the Office of Fair Trading, where we feel that the market may be harming consumers' best interests.

In taking forward our broad statutory remit we are informed by and representative of consumers in NI. We work to bring about change to benefit consumers by making their voice heard and making it count. To represent consumers in the best way we can, we listen to them and produce robust evidence to put their priorities at the heart of all we do.

General comments on

The Consumer Council believes that schemes such as NISEP, have an important role to play as part of the NI Executive's wider strategy to tackle fuel poverty. It can achieve this by improving the energy efficiency of domestic properties in Northern Ireland and reducing our reliance¹ on home heating oil², which has been a key factor in the rising levels of fuel poverty here.

We remain of the opinion that the NISEP scheme should be used to complement the Warm Homes Scheme to help in eradicating fuel poverty as it is evident that Warm Homes by itself is not enough to eliminate the problem.

Within this context, the Consumer Council welcomes the decision to continue the NISEP scheme at least until the period 2013 – 2014, pending the outcome of the DETI Energy Bill consultation. However, we have a number of comments to make in relation to the proposed changes put forward by the Utility Regulator (the Regulator) in the Revised Framework Document 2013 - 2014.

Our main concern is the Regulator's proposal to freeze the NISEP funding at the 2012-2013 level. A growing number of consumers, particularly our most vulnerable including older people and those with disabilities, are facing the stark impact of life in fuel poverty. This is largely the result of rising energy prices over the past few years and falling incomes.

It is imperative that that government and policy makers maximise the assistance offered to consumers to help them reduce their energy use through schemes such as NISEP. Therefore we believe that funding for the NISEP scheme for the period 2013-2014 should at least be increased in line with inflation as it has been the case previously.

However, any increase in funding should not be paid by electricity consumers. A key issue consistently raised by consumer via the consumer panels process is the fact that neither energy companies nor government contribute towards this levy, particularly when one of the objectives of the NISEP scheme is to help meet carbon reduction targets. Furthermore, there are also concerns regarding how the most vulnerable consumers pay disproportionately more towards this scheme. This shows an inherent unfairness in the makeup of the funding of the scheme.

The Regulator has sought views on what the appropriate level of incentives should be for delivery of NISEP schemes. We acknowledge the Regulator's proposal to cap the level of incentives paid to bidders at £470,000 or 6% of

¹ An estimated 70 per cent of households in Northern Ireland have an oil fire central heating system.

² The average price of a 500 litres refill has increased by 67% over the past three years, source CCNI oil survey.

the funding available. The Regulator indicated that this figure is in line with the incentives earned in 2010-2011.

However, we are of the view that the criteria for awarding incentives could be expanded to address two issues that can have a detrimental impact on the benefit of the scheme to vulnerable consumers. These are the lack of awareness amongst consumers about the scheme³ and the possibility of underspend for the scheme that the Regulator alludes to in the consultation document.

These two issues represent a major concern in our view that the Regulator must address. The revised NISEP framework provides an ideal opportunity to attempt to tackle both issues. For example, we suggest the possibility of partly linking the incentives to a full use of the allocation by the bidder, particularly for priority customers. For example if a particular bidder registers an underspend, their overall incentive could be reduced, thus encouraging bidders to promote the scheme, for example through the inclusion of references in energy bills.

In addition to this, we believe that incentives should be withheld until appropriate checks have been done to certify the work. A more cost effective method may be to insert a clause that allows for pay back of the incentive if it is found to be sub-standard within a defined time frame. In any case a check of at least a batch of measures is required.

With regards to the final date for submission of schemes bids, it is important that the bidding process encourages competition and innovation as a way to ensure the scheme provides the best possible value for money to consumers. One way to achieve this is to offer a reasonable bidding period; therefore we support the Regulator's proposal to put the final date back to 31 December 2012.

On a related note, we acknowledge that the Regulator has included additional information for bidders in areas such as State Aid and procurement arrangements, while imposing obligations on the Programme Administrator to provide technical advice to bidders. While this additional information is welcomed, we believe that bidders would benefit greatly from the inclusion in the framework document of a simplified flow chart. A high level of assistance should be made available to support these organisations through the process, particularly first time bidders, not only on technical aspects of the bid.

In addition to the last point, the bidding process should include feedback on unsuccessful bids. We are disappointed that under the Regulator's proposals bids cannot be resubmitted after the closing date. We call once again on the Regulator to allow unsuccessful bids to be given the opportunity to re-submit bids after the final date if there are a small number of improvements they need to make to meet the criteria.

³ Based on CCNI consumer panels held in 2008.

A final ongoing concern for the Consumer Council relates to the lack of transparency of the levy paid by consumers to fund the NISEP, currently under the Public Service Obligation. This is an issue that we have raised previously based on consumer research in the form of consumer panels held in 2008. These concluded that consumers are not aware of making any contribution towards the NISEP scheme in their electricity bill. We are disappointed that the Regulator's proposals do not recognise or attempt to address this key issue. It is key that electricity bills include a clear and separate reference to any levy paid to fund the NISEP scheme. This would in turn contribute also to raise awareness about the NISEP scheme.

While some of the issues we have raised in our response go beyond the scope of this consultation, we believe that the views and recommendations that we have made remain valid and applicable to the proposed framework for the NISEP 2013-2014. Furthermore, some of our issues and recommendations, particularly around improving the transparency and raising awareness about the NISEP scheme, could be addressed in time for the period 2013-2014. Therefore we ask the Regulator to consider and implement where appropriate our previous recommendations.

If you wish to discuss the attached in more detail, please do not hesitate to contact **Marian Cree** on **028 9067 2488** or by e-mail at mcree@consumercouncil.org.uk.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Cree', with a stylized flourish at the end.

Marian Cree
Head of Policy (Energy)