



**The Consumer Council**

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***Response to the Utility Regulator's  
Consultation on***

***“Sustainable Development,  
The Regulator's Role”***

***1 August 2008***

## 1.0 Introduction

1.1 The General Consumer Council (the Consumer Council) was set up in 1985 to promote and safeguard the interests of all consumers in Northern Ireland. It has certain specific statutory responsibilities for energy (including natural gas, electricity and coal), passenger transport and food, and from April 2007 became the consumer representative body for water and sewerage services.

1.2 The Consumer Council views the challenge ahead as one of educating consumers about their rights and responsibilities and helping them to understand how today's choices may impact on tomorrow's world - in other words, to show how little steps can make a big difference. The Consumer Council believes that the role of the consumer must be embedded in sustainability issues in order to encourage consumers to consider changing their behaviour.

1.3 Sustainability, in terms of enabling consumers to make responsible choices, has been one of the Consumer Council's priorities since 2005. Given its continuing relevance – and indeed importance – to consumers, it remains a key priority for the Consumer Council and is embedded in our 2008-2011 Corporate Plan.

The specific actions that have been identified for this work include:

- Contributing to and developing the debate on responsible consumer choices.
- Creating a better understanding of responsible consumerism.
- Ensuring that consumer needs are kept centre stage in the sustainability agenda.
- Encouraging innovation to promote more responsible consumer behaviour.

It is within this context that the Consumer Council is pleased to respond to Northern Ireland Utility Regulator's consultation paper on "Sustainable Development: The Regulator's Role".

## **2.0 Executive summary**

2.1 The consultation document is helpful in opening the discussion about the crucial role that the utility industry has to play in Northern Ireland in relation to sustainable development.

2.2 Whilst the document discusses the issues and challenges facing the utility industry it does not make any firm proposals as to the way forward and gives little indication of the Utility Regulator's views on the key issues. For this reason, the Consumer Council views this consultation as a scoping document, or 'pre-consultation' exercise. To that extent it represents a positive first step in moving towards a Utility Regulator 'Sustainable Development Strategy'. However, in the absence of firm proposals to comment on, we have set out our views in general terms and have given examples of current or possible measures to illustrate our point where appropriate.

2.3 The key points that we wish to make are the following:

- This consultation should be seen as a first step towards a Utility Regulator 'Sustainable Development Strategy' containing firm proposals on how it can contribute to sustainable development. The Consumer Council will be happy to respond in more detail to such a consultation document.
- In preparing a sustainability strategy the Utility Regulator must have regard to its existing duty to protect the utility consumers of Northern Ireland.

- The Utility Regulator has a key role to play in guiding and influencing policy makers.

Each of these points is developed further below.

### **3.0 Balancing duties**

3.1 The consultation document highlights the Utility Regulator's awareness of sustainable development and the effect it will have on the utility industry in Northern Ireland. While the Consumer Council recognises the importance of the duties placed on Utility Regulator we do note that the details of the Utility Regulator's duties vary between the utilities and we take this opportunity to reiterate our call for a move towards a cross-utility approach to regulation. A consistent regulatory approach across all utilities would be helpful in developing and promoting best practice in cross cutting issues such as sustainable development.

3.2 The essence of sustainability is to adopt a tri-partite approach which protects the environment, society and economic development. The Consumer Council believes it is important for the Utility Regulator to address the synergy of all three and in doing so provide a balance with its primary statutory duties towards protecting consumers.

3.3 This duty to protect the Northern Ireland consumer is an over-arching principle that we believe the Utility Regulator must continually have regard to when considering its strategy on sustainable development.

3.4 We note that Fuel Poverty and Social Action Plans were given a high priority in the Utility Regulator's Forward Work Programme. We would like clarification on how the Utility Regulator sees these work streams fitting into their role in sustainable development.

### **4.0 Provide data and contribution to policy**

4.1 In the consultation document the Utility Regulator appears to give only limited weight to its role in policy making. However, notwithstanding the primacy of the Government's policy-making function, the Consumer Council believes that the Utility Regulator has a very important part to play. The Utility Regulator is able to gather, analyse and publish evidence across all utilities that can be used both by it and other organisations. This access to information, the experience of the organisation and its staff, and its cross-utility work gives the Utility Regulator a unique position and a vital role in guiding and influencing policy making.

## **5.0 Information to consumers**

5.1 We agree that providing clear and accurate information will allow consumers to make informed choices about their own behaviour regarding energy and water and the impact it will have on sustainable development. It is vital that if it is to be effective in encouraging responsible consumer behaviour, information must be simple, easily accessible and available in a variety of formats that suit the needs of all consumers, including those with special requirements. With its overview of the utility industry and its regulatory powers, the Utility Regulator is well placed to provide guidance on the type of information required and who should provide it.

## **6.0 Energy sources**

6.1 The Utility Regulator is a key player in the discussion of issues about Northern Ireland's fuel mix. These issues include diversity and security of supply, fuel poverty and carbon emissions. By turn, each of these is a factor in the achievement of sustainable utility industries. This requires an approach that provides resources to guide and inform policy makers. We would like to see the Regulator provide information, clarity and guidance on the issue of a roll-out of the gas network and the role that renewable energy, nuclear energy (indirectly) and renewable micro-generation has to play in the fuel mix for Northern Ireland.

## **7.0 Creating incentives**

7.1 The Utility Regulator already creates incentives and provides targets for companies to be more cost efficient. We believe that there may be scope for the Utility Regulator to make additional use of this invaluable expertise in devising up innovative methods and incentives for utility companies to be more energy efficient, reduce wastage of energy and water, and use more renewable energy sources – as long as the impact on the end price to consumers is assessed and evaluated in advance.

## **8.0 Cost**

8.1 The Consumer Council supports the principle of ‘polluter pays’ whereby those who cause a cost pay for it. In the case of long term assets or projects that will benefit society over a long period of time, we believe that it is in the best interests of consumers to think in terms of ‘inter-generational equity’. Under this principle the up front costs of adapting to or mitigating climate change should be borne between existing and future consumers. The Utility Regulator must carefully consider how environmental costs can be incorporated whilst continuing to protect consumers, particularly vulnerable consumers. Any actual or proposed cost of measures that aim to promote sustainable development must be set out in an open and transparent manner to ensure that customers understand and accept how their money is being spent. Furthermore, any proposed measures must be subject to a cost benefit analysis and public consultation, which, in turn will enhance the prospect of consumer ‘buy-in’ for measures aimed at promoting sustainability.

8.2 Through the mechanisms of Price Controls and Tariff Reviews the Utility Regulator is able to influence the unit cost to the consumer of energy and water. It may be possible that changes in the price of a utility will influence consumer behaviour by reducing their consumption. The research undertaken by the Utility Regulator into price elasticity in the energy markets

is important and should be used to consider the impact on consumer behaviour of price changes. However, with a 25 per cent increase in the cost of household essentials over the last 12 months, it is important to emphasise our view that the cost to the consumer of any proposals that promote sustainable development must be carefully considered and justified. In particular the Utility Regulator must have regard to vulnerable consumers and those at risk of fuel poverty (including the working poor). An example of this is the Energy Efficiency Levy (EEL) which seeks to promote energy efficiency and reduce fuel poverty but does create a cost to consumers. We acknowledge and very much welcome the fact that the Utility Regulator intends to consult on this scheme.

8.3 The Utility Regulator must ensure that companies are financially sustainable and able to maintain a high quality, value for money service to all consumers. Through Price Control, the Utility Regulator can ensure that there is sufficient investment in the utilities to achieve this whilst at the same time ensuring that no detriment is being caused to the environment by poorly maintained infrastructure.

## **9.0 Co-ordinating agencies**

9.1 As we have explained, sustainable development encompasses the environment, society and economic development. Any action that the Utility Regulator is considering cannot be looked at in isolation. The Utility Regulator will undoubtedly benefit from close liaison with the many relevant and appropriate organisations in order to develop policy, strategy and initiatives aimed at promoting sustainable development in a way that garners and maximises consensus. Paramount in this is recognising the capacity that the consumer, as the end user, has in demanding and driving change.

## **10.0 New technology**

10.1 The use of new technology has the potential to have a positive impact on sustainable development. The Utility Regulator can use its influential cross

utility role to research and pilot new technology (for example, with smart metering). Furthermore, the development of Combined Heat and Power (CHP) is an example of a technology that has the potential to promote sustainable development and benefit the consumer. The Utility Regulator's experience of networked industry and cross-utility work makes it well positioned to develop a feasibility study with stakeholders into CHP.

## **11.0 Developing market structures**

11.1 The Utility Regulator has a lead role in creating market structures that promote competition and benefit consumers. An example of this is the creation of the Single Electricity Market (SEM). The Consumer Council welcomed the early moves towards a SEM but cautioned that a cost-benefit analysis needed to be undertaken in order to demonstrate to consumers the impact that this development would have. We welcomed the work that was undertaken to provide and publish this analysis which, in turn, created the conditions for greater commitment to and understanding of the SEM. In commending this excellent example the Consumer Council believes that the interests of consumers must be placed centre-stage in all new market developments and that one of the principal ways of demonstrating this is by prior cost-benefit analysis. By way of further example, we would welcome the views of the Utility Regulator on the further roll out of the natural gas network and its contribution to sustainable development.

## **14.0 Conclusion**

14.1 The Consumer Council believes that the Utility Regulator has a lead role to play in creating a sustainable utility sector.

14.2 As a comprehensive and detailed description of the various activities within the Northern Ireland utility industries that impact on sustainable development this document is very welcome. The range and complex nature of the issues involved are well captured in the document. With the release of this consultation at this time the Utility Regulator is providing a welcome



demonstration of its commitment to a priority area but also to an inclusive approach involving early debate.

14.3 The Consumer Council recommends that the Utility Regulator builds on this consultation and engages further with the relevant partners to produce a draft sustainable development strategy for the Northern Ireland utility industry. The Consumer Council would welcome the opportunity to comment on, and contribute to, this strategy.