ESB Independent Energy Partnering Your Business

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Alison Farr
Social and Environmental Branch
Utility Regulator
Queens House
Queens Street
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ESB Independent Energy (part of ESB International Group) Input to consultation by the NI Utility Regulator (NIAUR) on the NI Energy Efficiency Levy Review 2008

Dear Alison,

ESB Independent Energy appreciates the opportunity to input to the above consultation. Firstly, ESB Independent Energy believes the question needs to be asked is the non-domestic i.e. Industrial & Commercial (I&C) sector's annual contribution (£3.5m out of a total fund of £5.6m in 2008) fair given that only 10% of the fund is spent on this sector as the fund emphasis is on alleviating domestic fuel poverty with 80% of the fund ring-fenced for this so called Priority Group and then another 10% allocated for non-priority domestic so 90% of the total fund is spent on the domestic sector. The I&C sector is considered to be the Non Priority Non Domestic Group for which only 10% of funding is allocated meaning it is well over-subscribed thus making it overly competitive to secure funding.

While ESB Independent Energy has absolutely no issue in principle with the whole concept of alleviating fuel poverty, the question has to be asked is the Energy Efficiency Levy Programme (EELP), in its current guise, the most appropriate mechanism for doing so or achieving this. Whilst recognising that energy efficiency is a cost effective means of reducing fuel poverty the fact is the Priority Domestic Group in itself is less cost effective e.g. Whole House Solutions are expensive and so the number of homes that can be assisted is reduced and there is also reports (albeit anecdotal) of new heating systems not being used due to the high up-front cost of oil, whereas the I&C sector provides the most cost effective opportunities.

As it is now 10 years or so since the inception of the fund and with its emphasis been primarily on fuel poverty, ESB Independent Energy believes it is now time to shift emphasis somewhat more to carbon reduction or at least split the emphasis more evenly between fuel poverty and carbon reduction given the emphasis today on climate change and the need to address the effects of climate change. Again, whilst recognising that housing, for example, represents the biggest proportion of Northern Ireland's carbon footprint (Northern Visions

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Report, June 2008), according to McKinsey's (2008) $170bn/year by 2020 will be required to achieve the 50% abatement necessary to stabilise CO2 emissions and, so surely, the I&C sector given its nature, size and different operation types would have a major role to play in terms reducing carbon emissions through large scale, cost effective energy efficiency initiatives. In that regard, we believe it would be better now, 10 years later, to shift or split the emphasis of the fund towards carbon reduction and, for example, maybe have two separate funds or at least a 50:50 split of the current fund, one for fuel poverty called Fuel Poverty Levy given the emphasis and priority still in Northern Ireland on fuel poverty and another one for energy efficiency but with its emphasis primarily on carbon reduction from which energy efficiency and associated energy savings will come anyway – Energy Efficiency Levy. Essentially, we believe if more funding was made available to the I&C large energy user sector there would be much more energy efficiency work done and more carbon savings to be made as a result.

Alternatively, if the fund is to remain essentially as it is in its current guise and as one sole fund, we believe a new split of at least 60:40 would be more appropriate. This would substantially increase the funding available to I&C sector given their significant contribution to the fund but will also ensure that the majority of the fund can be still directed primarily to the Domestic Priority Group albeit further efficiencies and savings will need to be made given its reduction from 80% to 60% through an even more targeted efficient campaign e.g. through reduced focus on Whole House Solutions to an increased program of loft insulation, cavity wall insulation, double-glazing etc from which, apart from energy savings and fuel poverty alleviation, a 29% carbon reduction could be achievable by 2018.

There is also the point to be made that apart from all the other Government sponsored or regulated energy efficiency initiatives in Northern Ireland, we are now also hearing some other talk of even further initiatives in Northern Ireland to address fuel poverty possibly coming into play e.g. a social tariff and if this was to be the case we believe this would certainly further strengthen the case for a 60:40 split if not indeed a 50:50 split of the fund Domestic:Non-Domestic I&C.

ESB Independent Energy also believes there should be more transparency about who actually pays for the fund. The Framework Programme itself repeats in several places about it only costing £X per year per customer (currently £7 per year per customer) when in reality this is not the case and the vast majority of the fund is paid for by I&C customers.

Finally, ESB Independent Energy believe the current maximum £150,000 limit for funding for first year scheme funding applicants should be removed particularly for I&C supplier applicants as the type of projects they would be looking at for funding would be large scale industrial premises energy efficiency projects and could well require funding well beyond the £150,000 limit.

Yours sincerely,

Alan Kilkenny

Risk and Regulation Manager,

ESB Independent Energy