



Action for Warm Homes

Energy Justice Campaign's response to the NIAUR's Northern Ireland Sustainable Energy Programme Consultation on extension of the programme and reallocation of costs between customer groups

May 2015

As outlined in the consultation document, the Northern Ireland Sustainable Energy Programme (NISEP) is a voluntary incentivised energy efficiency programme funded by electricity customers through a public service obligation. The programme was established by the Utility Regulator in 1997 and following a sustained and targeted campaign by NEA Northern Ireland, a political decision was taken in 2002 to ring-fence 80% of this resource for individual fuel poor households. Despite some industry opposition this ring-fence continues today and raises revenue of £7.9 million annually for energy efficiency. The NISEP which is set to end in 2016 was to be replaced by a new Energy Efficiency Obligation (EEO). However there has been a delay to the introduction of the EEO but despite this the Northern Ireland Authority for Utility Regulation (NIAUR) signalled the ending of the NISEP in 2015.

The Energy Justice Campaign's original aim was to establish a progressive social and environmental EEO which would be ring-fenced and targeted at the fuel poor, providing access to energy efficiency measures for at least 50,000 low income households, through a concerted 4 year campaign. However with the delay in the introduction of an EEO, the Energy Justice Campaign has moved to protect the NISEP until such time as an equivalent scheme is introduced in Northern Ireland. We are therefore reiterating our call that:

'The Northern Ireland Sustainable Energy Programme (NISEP) must continue until such time as an equivalent scheme is introduced, which maintains a high percentage of ring-fenced activity deliberately targeted at low income households in fuel poverty.'

As part of our campaign we have scoped the fuel poverty landscape and we are content that at the present time there is no equivalent scheme. Whilst there has been an emergence of other programmes such as the Household Efficiency and Thermal Improvement Programme (HEaT), it has yet to be proven that it can tackle fuel poverty as it is tackled under the NISEP.

A further aspect of this campaign will be to make the socio economic case to ensure that low income households in Northern Ireland are prioritised for assistance through a progressive model with a ring-fence, establishing the principle of energy justice.

Please find below a list of the steering group members and our submission.

Name	Organisation
David Crothers <i>(Chair)</i>	Former Head of DSD Housing / NEA NI Trustee
Pat Austin	Director National Energy Action NI
Ed Matthew	Director of Transform UK Energy Bill Revolution Campaigner
Jenny Saunders OBE	Chief Executive National Energy Action
Peter Smith	External Affairs Manager National Energy Action
Sharon Turner	Visiting Professor at University College London and University of Sussex Former Climate & Energy Programme Leader at ClientEarth
Stephen Tindale	Research fellow Centre for European Reform
The Rt Honourable Lord Whitty	
TBA	<i>Consumer Council representative to be agreed</i>

Please find below our specific views on the questions posed.

1. Respondents are asked to provide any evidence that they have in relation to the impact that the proposals in this paper will have on the groups listed above in relation to Section 75 of the Northern Ireland Act.

The UR has a statutory duty to have due regard to the needs of vulnerable customers including individuals with disability, individuals of pensionable age, those on low incomes and those living in rural areas. We believe that the proposal to reallocate 80% of the costs of NISEP being recovered from domestic customers will disproportionately impact all fuel poor households but in particular those who have intensive heating regimes due to their vulnerability including disability or age.

2. Respondents are asked to provide any further comments on the impact that the proposals in this paper are likely to have in relation to the promotion of equality of opportunity and the promotion of good relations.

No comment.

3. Respondents are asked to comment on the proposal to extend NISEP on the basis that costs associated with the scheme will be allocated on the basis of 80% to domestic customers and 20% to non domestic customers. Respondents are asked where possible to include any evidence that they might have to support their responses.

We welcome the proposed extension to the NISEP and have campaigned for this extension due to the delay in the introduction of an EEO for Northern Ireland.

The NISEP's aims are, efficiency in the use of energy, socially and environmentally sustainable long-term supplies at best value to customers, whilst having due regard to vulnerable customers. These aims clearly address fuel poverty and in many respects this was reaffirmed by our politician's decision in

2002 when they voted to establish the principle to ring-fence 80% of the NISEP fund to be targeted at fuel poor households.

NISEP currently lifts £7.9 million for energy efficiency programmes in Northern Ireland of which £6.5 million is targeted at fuel poverty programmes. NEA Northern Ireland and many other organisations have effectively used this funding to help fuel poor households by installing insulation and heating measures. It is important to note that NEA Northern Ireland receives no funding from NISEP. All households in Northern Ireland including the fuel poor contributes circa £3.40 via their electricity bill to this policy and benefit from the policy through measures installed, particularly the fuel poor. This is contrary to the Contracts for Difference (CfD) proposal which is set to replace the Northern Ireland Renewable Obligation (NIRO). Customers will contribute circa £75 per annum from their electricity bills for the CfD policy with no direct benefit to any customer in Northern Ireland. In our response to this CfD policy we have called for the introduction of a properly resourced energy efficiency strategy which could be resourced at a fraction of the cost currently mooted under CfD. The NISEP could indeed be the model used to lift this resource and we ask that this is considered within the broader energy policy debate. Alongside reducing carbon emissions, this would tackle fuel poverty, create jobs and economic growth, reduce pressure on the health service and improve energy security.

This principle is reinforced by recent research by Verco and Cambridge Econometrics who evaluated the environmental and economic stimulus of investing in energy efficiency. Their report challenges the assumption that we cannot afford to tackle fuel poverty. It argues that there is a triple win available of warmer homes, greater energy efficiency and economic growth if we can use carbon taxes revenue to benefit consumers, and fuel poor households in particular. The report notes that over the next 15 years £63 billion will be added to consumer energy bills through the carbon floor price applied in GB and EU Emissions Trading System (ETS). While Northern Ireland is exempt from the carbon floor tax we still contribute significantly to these taxes. If this resource was directed toward a major programme to improve the energy efficiency of homes we could make homes warmer, more affordable to heat and take a major step

toward our legally binding carbon reduction whilst tackling fuel poverty. This is the approach being taken by the French, the German and other EU Governments.

We therefore strongly agree with the proposal to extend the NISEP until such time as an equivalent scheme is introduced, which maintains the 80% ring-fence target for the fuel poor. At the time of writing the only programme which would appear to take the place of NISEP is the proposal to introduce an EEO. As part of our Energy Justice Campaign, we contacted the Head of Energy at the Department of Enterprise, Trade and Investment and received correspondence outlining the fact that the Energy Bill has been further delayed due to significant further policy work required for inclusion in the Bill, particularly the EEO. This would indicate that the Energy Bill will be greatly delayed. This delay is most worrying as it almost certainly creates a situation where there will be a hiatus even if the NISEP is extended for one year only until 2017. **We therefore recommend that NISEP continues until an equivalent scheme is introduced which may indeed be post 2017.**

It is also important to highlight that whilst the consultation document outlines alternative schemes similar to NISEP, we can categorically state that there is no other scheme which will take NISEP's place for fuel poor households. 2014/15 has witnessed the biggest shake up to fuel poor programmes and the ending of NISEP which provides fully funded measures such as insulation and heating systems will leave a gaping hole in fuel poor programmes impacting negatively on low income households. **We therefore recommend that the NISEP continues in its current form as it will further complement the new fuel poverty landscape and plug the gaps in existing programmes.**

The emergence of HEaT has also confused the landscape, but as yet the HEaT model is to be established with evidence that it will in any way tackle the needs of the fuel poor. **We therefore recommend that a watching brief is kept on the development of HEaT and that NISEP continues until such a time as there has been proper monitoring and evaluation of the HEaT model to ensure that assistance can be provided to those currently assisted under NISEP.**

The consultation document also refers to a report published by the Consumer Council on the number of schemes and confusion as a consequence. This report does not however say that NISEP should end. Yes, we agree there is a need for schemes to be redesigned and should the NISEP be extended for more than a year then believe it would be important to convene a working group with extensive knowledge of schemes to ensure good design and clear operational outworking. **We therefore recommend that a working group is convened to understand the customer journey and highlight the gaps and issues emerging from the NISEP schemes.**

We fundamentally disagree with the breaking of the polluter pays principle. We believe this sets a dangerous precedent for energy policy. We do not believe that the domestic customer should pay a threefold increase in their contribution as this will place a disproportionately greater impact on the fuel poor. **We therefore recommend that the programme is kept as it currently stands.**

While much debate has been played out in the public arena around manufacturing costs, the NISEP is a tiny proportion of this cost. We believe some context needs to be placed around this debate. Our understanding is that the upward pressure on manufacturing costs is brought about as a consequence of the costs from generation and SEM design.

Additionally it should be said that industry has also benefitted significantly from the NISEP. The UR figures highlights this and indeed the most recent 2013-14 figures indicate that of the total benefit to all customers, approximately 73% was accrued to the non-priority customers. This equates to £75.5 million for non-priority and £27.9 for priority customers. It is crucial that the whole picture is taken into consideration when considering this change to the polluter pays principle

The NISEP has also brought about other positive impacts for the local economy and the ending of the programme will have a significant negative impact on the insulation industry.

The NISEP also helps firmus energy and Phoenix Natural Gas to connect hundreds of households to the gas network helping tackle fuel poverty and also helping the NIAUR fulfil one the NIAUR's primary duties to promote and grow the gas network. These aspects provide additional and powerful reasons to continue with this programme until a suitable and equivalent programme is put in place.

Finally, since 2001 the NISEP programme total spend of £72,514,817.00 has brought about gross customer benefit of £665,526,071.00, Lifetime Energy Savings (GWh) of 7,737.73 and Lifetime Carbon Savings (tonnes) 1,651,119. It would be difficult to find any other government programme which boasted of such figures. We therefore believe that to decimate this scheme without a suitable alternative would be bad for customers in Northern Ireland.

In summing up we would call on the NIAUR to leave the scheme as it is and continue with it until such time as a progressive social and environmental Energy Efficiency Obligation is introduced in Northern Ireland which will be ring-fenced and targeted at the fuel poor.

These comments and suggestions are made respectfully with the intention of ensuring that the fuel poor are represented and their needs advocated for in this challenging time now and in the years ahead.

We look forward to continuing to work with you as together we endeavour to bring affordable warmth to all the people of the Northern Ireland.

Response submitted on behalf of the Energy Justice Campaign by:

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