Alison Farr
Social and Environmental Branch
Utility Regulator
Queens House
Queen Street
Belfast
BT1 6ER

24 November 2008

Dear Alison,

NI ENERGY EFFICIENCY LEVY - STRATEGIC AND OPERATIONAL REVIEW 08

Thank you for giving the Energy Saving Trust the opportunity to respond to the above consultation. Please find enclosed a detailed response.

The key points raised in our response are as follows:

- There is a need to consider the EEL and changes to it in the context of the wider policy framework in Northern Ireland (NI).

- There is a need to provide a guarantee to retain the EEL, or an equivalent policy instrument, at least at the new level until 2020.

- Consideration should be given to incorporating an 'innovative action' type approach as already happens under CERT.

- In principle we agree that other organisations, other than licensed electricity suppliers, should be permitted to compete for EEL funding. However, initially we would suggest that competition should be opened up in a very controlled manner to aid management, control and coordination. We would suggest allowing only electricity and gas suppliers to compete for funding until 2012. This would allow time to undertake a full analysis of likely non-supplier interest.

- We support the proposal to reduce the incentive rate to £1,000/GWh, in order to allow an assessment of the degree of competition under the new arrangements (once and if adopted), and the setting of more realistic targets. However we note that taken together these proposals are likely to result in an approximate 5-fold decrease in the total level of incentive available to scheme participants. You might consider staging any reduction over, say, a three year period to permit necessary operational adjustments to be implemented.

- There is a strong case for a further increase in the EEL, and that it should be set at at least £12 per customer (i.e. 23 pence a week). It should be noted that the actual payment per household (from a Fuel Poverty (FP) perspective) is on a pro rata basis depending on consumption and will be a mere fraction of this 'headline' figure. Accordingly, arguments based on the perception that any increase will drive more into FP are likely to be red herring.

- We recommend that the FP/Priority Group requirement is reduced to 50%, that the proportion of funds allocated to the Domestic Non-Priority group should be increased to 25%, and that the proportion of funds allocated to the Non-Domestic sector should be increased to 25%. A reasonable increase in the EEL will effectively mean a similar level of funding being directed towards FP measures.

- We do not support the proposal to end the segregation of funds between non-priority domestic measures and non-priority commercial measures.

- We strongly disagree that '*the emphasis on whole house solutions should be lessened with a view to enabling measures to be spread over a larger number of homes within the priority group*'. If NI is to meet both its FP targets and climate change targets in the most cost effective way it is essential that that the emphasis on whole house solutions remains.

- We do not agree that schemes should be permitted to assist with the purchase cost of heating oil. The primary purpose of the EEL is to promote energy efficiency activities and we do not support the inclusion of measures that would not result in carbon savings.

- We do not believe that the introduction of an EEL on gas should be dependent on the introduction of an equivalent mechanism for oil (indeed it might not be possible to introduce such a mechanism for oil). Rather we believe that only a small level of EEL be applied to gas (and suggest 25% of what the electricity EEL will be) as it is a fledgling industry, however, it should apply in time so a small measure by way of introduction might be appropriate now.

We look forward to our continued involvement in the EEL Programme, and to discussing our response with you in due course.

If you require any further information or would like to discuss the Energy Saving Trust response in further detail please do not hesitate to contact me on 028 9072 6007. Meanwhile I trust that you find our response helpful.

Yours sincerely

Noel Williams
Head of Energy Saving Trust
Northern Ireland

NI ENERGY EFFICIENCY LEVY – STRATEGIC AND OPERATIONAL REVIEW 08

This is the response of the Energy Saving Trust to NIAUR's consultation on the review of the Energy Efficiency Levy (EEL) Programme issued in Aug 08. This response should not be taken as representing the views of individual Energy Saving Trust members.

The Energy Saving Trust was established as part of the Government's action plan in response to the 1992 Earth Summit in Rio de Janeiro, which addressed worldwide concerns on sustainable development issues. We are the UK's leading organisation working through partnerships towards the sustainable and efficient use of energy by households, communities and the road transport sector. As you know, the Energy Saving Trust has developed, and advised on the implementation of energy efficiency initiatives for the Regulators in NI and GB for a number of years.

We welcome the opportunity to respond to this consultation. Our response focuses on the key areas of the Energy Saving Trust's activities and related issues. It begins by discussing some issues/considerations that weren't covered in the consultation document, but we think merit discussion. These are as follows:

- **The need to consider the EEL and changes to it in the context of the wider policy framework in NI**, and in particular in the context of its climate change and FP targets. This is important because the EEL is one of the key drivers of energy efficiency activity in NI and as such makes a considerable contribution to meeting both climate change and FP targets.

- **The need to provide a guarantee to retain the EEL, or an equivalent policy instrument, at least at the new level until 2020** whilst taking account of inflation. This would help provide security to the industry, and allow government to make informed decisions about the additional policy mechanisms necessary to allow NI to meet its climate change and FP targets.

- **Consideration should be given to incorporating an 'innovative action' type approach as already happens under CERT[1].** This would help to drive the market transformation of innovative and new technologies and approaches. Under CERT, suppliers receive an incentive to encourage them to achieve part of their carbon saving targets through undertaking innovative actions. Under CERT such innovative action is split into 'market transformation' activity, and 'demonstration' activity. Ofgem suggest there are three broad categories of trials that might be undertaken under 'demonstration' activity, these are: trialling a technology, trialling consumer reaction to a technology, and trialling consumer behaviour to better information. Activity under the 'market transformation' heading includes actions that achieve greater carbon savings than other qualifying actions of that type. Suppliers can meet 6% of their targets via innovation activity (a combination of demonstration and market transformation) and can increase this to 8% providing a minimum of 2% of this total is from microgeneration. However, a supplier can choose not to carry out innovation activity or to stay below 6% and not engage in any microgeneration measures. As part of the recent fuel bills announcement[2] the Department for Energy and Climate Change (DECC) propose the following changes:

[1] For further information see: http://www.ofgem.gov.uk/Sustainability/Environmnt/EnergyEff/InfProjMngrs/Documents1/CERT%20supplier%20guidance.pdf
[2] For further information see: http://www.defra.gov.uk/news/latest/2008/climate-0911.htm

- To raise the CERT cap on demonstration and innovation to 10%, and
- To maintain the CERT cap on additional microgeneration activity at 2%.

- **Consideration should be given to incorporating flexibility within FP targets which already happens under CERT,** in order to help consumers who have traditionally not benefited from EEL (as their properties are 'hard to treat'), and allow suppliers to explore alternative measures for tackling FP. The FP flexibility option allows suppliers to reduce their priority group target[3] on the condition that activity which would have been directed at the priority group be directed at non-priority group consumers, and that the associated cost savings are used to fund additional '*specified carbon abatement measures in a focused section of the priority group aimed at alleviating FP*'[4]. Clearly, because EEL does not impose obligations directly on suppliers such an option could not work precisely as it does under CERT, and further consideration would need to be given to how such activity/flexibility could be encouraged under EEL.

ENERGY SAVING TRUST RESPONSES TO THE SPECIFIC PROPOSALS OUTLINED IN THE CONSULTATION

1. Organisations other than licensed electricity suppliers should be permitted to compete for Levy funding.

In principle we agree that other organisations, other than licensed electricity suppliers, should be permitted to compete for EEL funding. However, initially we would suggest that competition should be opened up in a very controlled manner to aid management, control and coordination. We would suggest allowing only electricity and gas suppliers to compete for funding until 2012. This would allow time to undertake a full analysis of likely non-supplier interest.

Going forward we believe this approach would offer considerable advantages over the current approach, including:

- New players in the market could be more innovative in developing and promoting energy efficiency improvements, and broaden the range of potential carbon reduction delivery mechanisms.

- New players in the market might be more trusted by/have better access to consumers.

- In theory the cost-effectiveness of schemes delivered under the EEL would improve with greater competition.

Of particular importance and as the consultation paper notes '…*potentially competition for levy funding would also remove the need for incentive payments*…' thereby allowing more of the EEL funds to pay for energy saving activity (as opposed to contributing to energy supplier profits). In addition, allowing organisations other than licensed electricity suppliers to compete for EEL funding would open up the scheme to not-for-profit organisations, who would arguably recycle any incentive

[3] A supplier can meet no more than 12.5% of its priority group obligation by this route – i.e. an effective reduction of the priority group obligation from 40% to 35%. The over 70's cannot be included in flexibility proposals.

[4] In practice this means the promotion of ground source heat pumps in respect of a property which does not have a mains gas supply, or of solid wall insulation which lowers the U-value of walls to 0.5W/m2K or less, to householders in a specific subset of the priority group.

payments they gained back into the promotion and implementation of energy saving measures, thus optimising the use of the programme's monies.

We note concerns about '*whether or how quickly an adequate degree of competition for Levy funding would ensure that underlying costs were kept to a minimum and would prevent more than normal profits being made on activities*'. However, anecdotal evidence suggests that there is already considerable interest from non-electricity suppliers in NI in bidding for EEL funds should this become an option.

Finally, we note that the analysis suggests that a license obligation on electricity suppliers in NI would preclude non-electricity suppliers taking part. However, this need not necessarily be the case. A White Certificates approach would allow third parties to deliver energy saving measures and then exchange and trade the resulting energy savings. So, the electricity supplier would have an energy or carbon saving obligation, and could either deliver this itself, or (if cheaper and easier) could simply buy the necessary number of White Certificates from the market and submit these to NIAUR. This kind of approach offers a number of advantages including: securing objectives at least cost, allowing flexibility over investment decisions and providing price transparency. However, without a fully competitive electricity market and with a very limited number of potentially obligated suppliers such an approach may not yet be appropriate for NI.

2. The Utility Regulator should seek views as to whether measures providers should be allowed to bid for Levy funding directly and as to whether controls and monitoring could compensate for the loss of transparency and prevent the inflation of measures costs.

We do not see any significant issues associated with allowing measures providers to bid for EEL funding directly. The consultation paper suggests that '*Maintaining transparency of measures costs would be best served by preventing measures providers from themselves bidding to receive EEL funding directly, and by requiring scheme sponsors to give assurances that they were adequately independent from the measures provider.*' However, when schemes are evaluated for funding by the Energy Saving Trust they are ranked for cost effectiveness, and if the costs don't stack up they are unlikely to be awarded funding. Indeed, it is difficult to see how, within the current arrangement, schemes with inflated measures costs could be approved and funded. As such we do not see any reason why measures providers should not be allowed to bid directly for EEL funds. However, as noted above we believe that in the short term only electricity and gas suppliers should be allowed to compete for EEL funding.

3. Other constraints should be placed on the identity of bidders. For example in order to avoid excessive administration costs both of handling a high number of bidders and of monitoring bidders that may be submitting schemes purely in their own interests, schemes should be of a minimum size, say, £10,000 of Levy funding. Bidders should be or use reputable contractors.

We agree that efforts should be taken to minimise the administrative costs of the programme, and as such agree that a limit should be introduced to ensure that only schemes over a certain size are permitted to bid for funding. We believe that a limit of around £15,000 should be imposed.

We also agree that bidders should be or use reputable contractors. However, we note that this already happens under the existing programme.

4. A number of constraints under the existing scheme should be retained and kept under review, depending upon the success of the more competitive arrangements, i.e.

- **incentive payments to encourage schemes to maximise the energy savings measures obtained for Levy funding;**
- **the requirement to provide transparency of the costs of measures**
- **controls on the level of management and administrative expenses.**

We agree that, in the short term at least, the incentive payment (but at the proposed lower level) should be retained.

We believe that the requirement to provide transparency of the costs of measures should be retained. This requirement could be reviewed in the future if sufficient competition materialises.

We also agree that controls on the level of management and administrative expenses [indirect costs] should be retained. Our thoughts on methodologies for capping management and administrative expenses are discussed in our response to question 15 below.

5. The incentive rate should be reduced from the current £5120/GWh to £1000/GWh, whilst experience of the extent of competition for funds can be assessed.

We support the proposal to reduce the incentive rate to £1,000/GWh, in order to allow an assessment of the degree of competition under the new arrangements (once and if adopted), and the setting of more realistic targets. However we note that taken together these proposals are likely to result in an approximate 5-fold decrease in the total level of incentive available to scheme participants. You might consider staging any reduction over, say, a three year period to permit necessary operational adjustments to be implemented.

6. More realistic targets should be set by ensuring that the assumptions regarding the mix of measures, the fuel mix and third party funding are more realistic of actual outturns. For the first year, the contribution to the incentive target for each scheme should be based on an average of the marginal cost effectiveness of the group and the cost-effectiveness of the specific scheme.
To prevent any distortion to incentives, schemes with such outlying costs could be excluded from the group average calculation.

We agree that it is important that as realistic as possible targets should be set using assumptions about the mix of measures, the fuel mix, and third party funding that are more realistic of actual outturns. We also agree that for the first year while the new arrangements are reviewed, the contribution to the incentive payment for each scheme should be based on an average of the marginal cost effectiveness of the group and the cost-effectiveness of the specific scheme.

However, it is worth pointing out that suppliers are incentivised to take part in the scheme because of the likelihood of earning an incentive payment. Without such an incentive they are unlikely to participate in the scheme. Thus, without full competition, there is a need to ensure that the target is set at such a level that it is likely to be exceeded by scheme participants. We note that more realistic targets together with a reduced incentive rate is likely to result in an approximate 5-fold decrease in the total level of incentive available to scheme participants.

7. Additional clarity should be introduced into the Framework Document, specifically for situations where, thus far, rules have not been needed.

We agree that additional clarity should be included within the Framework Document specifically for situations where, to date, rules have not been needed. It is important that the Framework Document is as 'future-proof' as possible. However, it is not always possible to identify issues that might arise in the future for which new rules will be required. For this reason the Framework Document is updated by the Energy Saving Trust on a continual (at a minimum annual) basis to reflect new circumstances and the identification of potential issues.

8. No specific arrangements for underperformance should be introduced, other than that funding will be pro-rated by the energy savings achieved. However, if underperformance becomes an issue, more onerous arrangements for under-performance should be introduced.

As the consultation paper notes, such underperformance occurrences are relatively rare and where they have arisen, have been dealt with effectively. However, if the proposals to allow non-electricity suppliers to bid for funding are adopted, then there will be more players involved in the delivery of the programme, and there may be more occurrences of under-performance, and as such it would be appropriate to introduce specific arrangements for underperformance in the future. We note that new supplier activity (for suppliers with no experience of running EEL schemes) is capped at £150,000; this serves to some extent to minimise the impacts of any underperformance. In addition, this year (08/09) far more rigorous reporting requirements have been put in place. Recipients of EEL funding are required to inform EST whether a scheme will/will not proceed within 3-months. Furthermore, a 6-monthly and 9-monthyly interim report to aid the monitoring and progress of the specific scheme is required. Thus any under-performance is now likely to be picked up at an early stage.

9. Pending analysis of the 2006 House Condition Survey, the Utility Regulator should seek views as to the scope for further energy savings measures. In the absence of views to the contrary, the size of the Levy should remain broadly at current levels for the first year (with appropriate indexation). Taking the reduction in incentive payments into account, the funding for measures costs should be increased by £1m which would, except in the event of a very large increase in energy savings, not result in any increase in the total Levy funding including incentives. The size of the Levy should be kept under review, based on the nature and number of schemes submitted. If there is a high demand for funding whilst scheme costs remain acceptably low, consideration should be given to increasing the size of the fund in later years;

While we understand the importance of knowing the scope for the installation of traditional cost effective measures in terms of setting targets for the EEL, it is also important to consider that even when the majority of traditionally cost-effective measures have been installed there will still be scope for significant installations of less cost effective measures such as solid-wall insulation and microgeneration technologies. There will be considerable opportunities for the EEL to provide funding for such activities well into the future.

We believe that without a significant increase in the size of the programme NI's ability to meet its FP targets (originally to 'eradicate' fuel poverty by 2016 – now 'alleviate'), and the household portion of its challenging climate change targets will be seriously constrained. Therefore we believe that there is a strong case for a further increase in the EEL, and that it should be set at at least £12 per customer (i.e. 23 pence a week for this 'headline' figure).

An increase to circa £12 per customer would represent a minimal proportion (<1.5%) of the average annual electricity bill in NI, while increasing the funds available to be spent on the promotion of energy efficiency by around 70%. If NIAUR would find it useful we would be happy to provide an analysis of the savings that would result from an increase in the EEL to £12 per customer against varying splits between the priority group, non-priority group, and non-domestic sectors. In addition, it is also important to bear in mind that the EEL costs to consumers in NI are balanced by significant benefits, in terms of lower energy bills or increased comfort.

In this context it is also worth considering the cost to consumers in GB of CERT. CERT requires electricity and gas suppliers to deliver overall lifetime carbon dioxide savings of 154 MtCO2. This is equivalent to annual net savings of 4.2 MtCO2 by 2010, and will stimulate about £2.8bn of investment by energy suppliers in promoting carbon reduction measures. The recent fuel bills announcement (referenced earlier) about the intention to raise the CERT target by 20% increases this by £560 million. Currently the EEL delivers savings of 0.23 MtCO2 per year in NI, and stimulates £5.64 million of investment in energy suppliers in promoting carbon reduction measures.

It is estimated that the cost to GB suppliers of CERT will be around £105 per household for the 3 years of the CERT programme[5]. If passed on to customers in full, this is equivalent to about 4.5% of annual energy bills. This is roughly £17.50 per fuel per household. So in a home fuelled by both gas and electricity (the norm in GB) the annual cost of the CERT programme is £35.00.

So, even with an increase of the EEL to £12, investment in energy efficiency and energy saving measures in NI through supplier led programmes will be considerably less than in the rest of the UK. This means that (without significant additional funding from elsewhere) households in NI will find it harder to pay their fuel bills, and will be less protected when it comes to dealing with future fuel price rises, than their contemporaries in the rest of the UK.

We believe that the increase to £12 should apply until the end of the current Framework period (to 2009/10). Beyond this consideration should be given to increasing the EEL to CERT equivalent levels.

10. The relative focus of the scheme on priority schemes - currently 80% - should be reviewed in light of: (i) the 2006 House Condition Survey; (ii) the Utility Regulator seeking views on the issue; (iii) further detail emerging of other initiatives to assist the fuel poor; and (iv) on an ongoing basis, depending upon the types of schemes that are submitted following changes to permit non-suppliers to bid for Levy funding.

We believe that there are a sufficient number of reasons to justify a reduction in the proportion of scheme funds directed to priority schemes, as follows:

[5] For further information see: http://www.opsi.gov.uk/si/si2008/em/uksiem_20080188_en.pdf

- The proportion of funding aimed at priority schemes (80%) is far in excess of the proportion of fuel poor households in NI (currently estimated (not officially verified) to be at 45-50% of households following fuel price rises in 2008).

- The non FP are missing out. Those not living in FP (55% of households) in NI are not benefiting proportionately from the EEL. Indeed while the non FP will pay a total of approximately £3.7 million per year into the EEL, they will only receive 10% of EEL funds (approximately £0.56 million) in energy efficiency improvements. This is despite the fact that promotion of energy efficiency is a legal duty of NIAUR that applies to *all* gas and electricity consumers, as set out in the Electricity and Gas (NI) Orders[6]. In this context it is also worthwhile noting that it will be impossible to eradicate FP unless *all* householders, whether on benefits or not, have the opportunity to access energy efficiency offers; as there will always be FP households who fall outside some means-tested criteria.

- A broader programme would ensure that more opportunities are exploited for developing energy efficient products, services, and demand for these.

- While energy efficiency is the most sustainable solution to FP[7], and its importance should not be underestimated, it is important to note that as energy prices increase so too does the importance of income related measures. A recent NIHE/BRE study showed that if every possible energy efficiency measure applied in every possible household 17% of the NI population would still be in FP.

Against this background, a more appropriate nominal split in funding could be around the order of 50% FP (previously 80%). Alternatively NIAUR might like to consider the approach to the priority group adopted under CERT by Defra (now part of DECC). Under CERT 40% of the supplier's targets must be directed at a priority group of low income customers. This means that the absolute level of energy savings under CERT directed at the priority group will be proportional to its size in the overall population. The CERT priority group also now includes customers aged 70 years and above regardless of income.

If the total amount of funding in the EEL was increased to the equivalent of £12 per customer, the actual amount of funding directed into FP schemes, if the split was reduced to 50%, would not decrease significantly. Reducing the available proportion of funding available to the FP to 50% and increasing the EEL to £12 would mean £4.8 million) was available for EEL FP schemes. Some observers may argue that the proportion of the EEL targeted at the FP could be reduced even further.

11. The emphasis of whole house solutions should be lessened with a view to enabling measures to be spread over a larger number of homes within the priority group with a view to levelling up the worst cases of fuel poverty or maximising energy efficiency gains alleviating fuel poverty. Whole house solutions should be selected on the grounds of their cost-effectiveness.

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[6] The regulator has a duty "to protect the interest of consumers of [gas/electricity] supplied…in respect of…the quality of the [gas/electricity] services provided," and "to promote…the efficient use of [gas/electricity] supplied to consumers." Clearly this applies to all consumers, not just the fuel poor. See Electricity (Northern Ireland) Order 1992 and Gas (Northern Ireland) Order 1996.

[7] It is a long-term solution; once measures are in they are in for good, on average it has the greatest potential to save on fuel bills, of about a third, it is environmentally progressive, and it creates jobs in the local economy.

The Energy Saving Trust strongly disagrees that '*the emphasis on whole house solutions should be lessened with a view to enabling measures to be spread over a larger number of homes within the priority group*'.

If NI is to meet both its FP targets and climate change targets in the most cost effective way, it is essential that that the emphasis on whole house solutions remains. Without this emphasis properties will need to be revisited numerous times in order to receive additional measures, which will be a significantly less cost effective process than ensuring all possible measures are installed in the first place.

In this context we would also like to highlight that the scheme was originally designed in this way because NIAUR (then Ofreg) specifically wanted to know how many homes had been helped from FP by the EEL. Installing energy efficient lighting in a FP home is unlikely to remove it from FP, but installing it together with cavity wall and loft insulation is likely to have a much bigger impact; meaning that all that could be done to remove that household from FP (from an energy efficiency perspective) has been done.

12. Views should be sought as to whether schemes should be permitted to assist with the purchase cost of heating oil and, if so, how this assistance should be prevented from going beyond that necessary to give effect to energy efficiency and becoming, instead, a pure subsidy of fuel purchase.

We strongly disagree that schemes should be permitted to assist with the purchase cost of heating oil. The primary purpose of the EEL is to promote energy efficiency activities and we do not support the inclusion of measures that would not result in carbon savings. That is not to say that we do not see the importance of assisting those that cannot pay the high upfront cost of a tank of oil; simply that EEL is not the correct mechanism through which to provide such support. However, the EEL could support such customers by providing funding for the installation of heating technologies other than oil (for example biomass, and air or ground source heat pumps); this would ensure that these householders would benefit from lower fuel bills over the lifetime of these technologies, and unlike providing funds to assist with the high upfront cost of a tank of oil would also result in significant carbon savings.

13. The Utility Regulator should seek views on ending the segregation of funds between non-priority domestic measures and non-priority commercial measures, in order to maximise energy efficiency gains.

We do not support the proposal to end the segregation of funds between non-priority domestic measures and non-priority commercial measures. The EEL is one of the largest sources of funding available in NI for the improvement of the energy efficiency of the housing stock. If NI is to meet its own climate change targets and make an equitable contribution to the delivery of the UK's challenging statutory climate change targets all sectors, including the household sector, it will need to significantly reduce emissions. In addition, and as the consultation document points out, there are considerable issues around equity. It is important to ensure that as households (many of whom struggle to pay their fuel bills) pay towards the EEL, they also benefit from it. It therefore makes sense to ensure that there is a requirement for the non-priority domestic sector to be entitled to a certain amount of EEL funding.

We do however believe that with our recommended reduction of the FP/priority group requirement to 50%, the proportion of funds allocated to the Domestic Non-Priority group should be increased to 25% (currently 10%), the proportion of funds allocated to the Non-Domestic sector should also be increased to 25% (currently 10%).

14. The 20% additionality criterion should be augmented by a requirement for scheme proposals to justify why measures are additional.

The Energy Saving Trust agrees with this point, and has already updated the Framework Document to include a section on additionality.

15. The 5% cap on indirect costs should be replaced by a more sophisticated criterion. Views should be sought on the appropriate form and level of the cap to ensure that, whilst the allowance for indirect costs is realistic, the maximum funds are available to be spent on measures.

We agree that the current 5% cap on indirect costs needs to be replaced by a more sophisticated criterion. A blanket cap causes problems with certain types of scheme, and has led to problems with evaluating schemes in the past. While the Defra methodology outlined in the consultation document is only used in their impact assessment process, we believe this would be an appropriate methodology to adopt for capping indirect costs under EEL.

16. The raising of Levy funds should not be extended to gas unless it is also extended to oil.

We do not fully understand the arguments proposed in the consultation document for not extending the raising of EEL funds to gas unless it is also extended to oil. Notwithstanding, we do not believe that the introduction of a EEL on gas should be dependent on the introduction of an equivalent mechanism for oil (indeed it might not be possible to introduce such a mechanism for oil). Rather we believe that only a small level of EEL be applied to gas (and suggest 25% of what the electricity EEL will be) as it is a fledgling industry, however, it should apply in time so a small measure by way of introduction might be appropriate now.

Whatever the outcome, we do, however, believe that it will be necessary to keep this issue under review as the market develops and the gas network expands.

Given the considerable number of oil suppliers in NI we believe that it may be easier to capture such an EEL upstream (i.e. to be collected by oil importers). We recognise that it is unclear whether this would be feasible as oil duties are levied by a different mechanism which NIAUR has no jurisdiction over. We believe that NIAUR should undertake further analysis and provide clarification on this issue.

17. The option of placing obligations on suppliers to submit a certain quantity of schemes should not be introduced initially but this should be kept under review in light of experience of operation of the scheme.

We agree that there is currently no need to place obligations on suppliers to submit a certain quantity of schemes.

18. The Utility Regulator should seek views as to whether scheme sponsors should be required to explain to customers the origin of funds used to pay for measures or whether it might be appropriate to apply this requirement only to dominant suppliers.

We broadly support the proposal that scheme sponsors be required to explain to customers the origin of funds used to pay for measures. We see no particular reason why this requirement should only apply to dominant suppliers. However, the wording of any disclosure of the origin of EEL funds should be approved by NIAUR. This would reduce the chances of misinterpretation or misunderstanding by the press and others.