



Action for Warm Homes

National Energy Action's Northern Ireland response to the Consultation on extension to programme and reallocation of costs between customer groups

May 2015

National Energy Action Northern Ireland (NEA NI), the leading national fuel poverty charity, works to ensure affordable energy for disadvantaged energy consumers. We welcome the opportunity to respond to this consultation from the Northern Ireland Authority for Utility Regulation (NIAUR).

The latest House Condition Survey showed that in 2011, 42 per cent of households in Northern Ireland were in fuel poverty. This is one of the highest rates in Northern Europe and is three times as high as the level in England and nearly double the rate in Scotland and Wales. It is therefore imperative that we do all we can to mitigate the upward pressure that our energy policy is having across all households in Northern Ireland but in particular those most vulnerable.

It is well recognised that higher energy prices have a disproportionate impact on low-income households. Currently, final consumer energy bills are currently made up of range of factors. Final energy bills include wholesale energy commodity costs, transmission and distribution network costs, metering and other supply costs, supplier margins, VAT and the impacts of social, energy and climate change mitigation policies. In recent years, wholesale commodity prices have been the principal reason for the extent of recent domestic price rises, however, the EU Commission has also stated recently that rises in prices have also been driven by increases in taxes and levies which are recovered from energy bills to fund programmes instead of being funded out of direct taxation.

That said the Northern Ireland Sustainable Energy Programme (NISEP) is one of the very few programmes which has a social justice aspect in that it is lifted equally across both the domestic and business customers per kilowatt hour but is 80% ring fenced for fuel poverty programmes. Indeed NEA Northern Ireland campaigned to establish this principle back in 2002 and as a consequence a political decision was taken at the Northern Ireland Assembly

to ring fence 80% of the NISEP fund for energy efficiency measures for the fuel poor.

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 Energy Efficiency Obligation (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 for 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. Indeed our response to this perverse CfD policy is a call 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 will almost certainly create 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 while the consultation document outlines alternative schemes similar to NISEP, we can state categorically 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 proposed ending of NISEP which provides fully funded measures such as insulation and heating systems will leave a gaping hole in fuel poor programmes.

The emergence of Household Efficiency and Thermal Improvement Programme (HEaT) has also confused the landscape, but as yet the HEaT model is yet to be established with evidence that it will in any way tackle the needs of the fuel poor.

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 perhaps be redesigned and should the NISEP be extended for more than a year then this would be a key recommendation from NEA Northern Ireland.

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 recommend that the programme is kept as it currently stands.

While much debate has been played out in the media around manufacturing costs, the NISEP is a tiny proportion of this cost. Therefore, some context needs to be placed around this debate. Our understanding is that the lion share of the costs for manufacturing lie with the cost of generation and SEM design.

Additionally it should be said that industry has benefitted significantly from the NISEP. The UR's 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 to highlight the benefits alongside the costs.

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

The NISEP also helps firmus energy and Phoenix Natural Gas to connect hundreds of households to the gas network helping 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 could showcase 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 Northern Ireland Sustainable Energy Programme 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 by:

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