



## *Action for Warm Homes*

**National Energy Action Northern Ireland's response  
to the Northern Ireland Authority for Utility  
Regulation Price Control for Northern Ireland's Gas  
Distribution Networks GD17**

**May 2016**

National Energy Action Northern Ireland (NEA NI), the leading fuel poverty charity welcomes the opportunity to respond to the Northern Ireland Authority for Utility Regulation (NIAUR) Draft Determination on the Price Control for NI's Gas Distribution Networks GD17.

While the official rate of fuel poverty in NI is 42 per cent of households we expect that, due to the welcome drop in the price of home heating oil our level of fuel poverty will be significantly reduced. Even so we expect that due to 68% of all households reliant on domestic home heating oil, circa 30% of all households will still be in fuel poverty. This remains one of the highest rates in Northern Europe and is significantly higher than our UK counterparts. The 2016 House Conditions Survey, which measures the level of fuel poverty, is currently preparing the field work and the new figures will be reported in 2017.

Fuel poverty is a combination of low income, poor energy efficiency and the high price of energy and indeed the unique position in Northern Ireland with 68% of households reliant on home heating oil, a non regulated fuel, has always been a major influencing factor on our high levels of fuel poverty. As a consequence we welcomed natural gas to Northern Ireland back in 1996 and acknowledge the benefits that it has brought to customers and industry. Until 2015 gas outperformed oil in terms of price and while that trend has recently reversed, we still believe that the multiple benefits of natural gas such as regulation, stability in price, payment options, efficiency and being a cleaner fuel, outweighs the current status quo of oil.

We therefore support the role of NIAUR in protecting customers by ensuring they pay the correct price for the aspect of the Distribution Network Operators' (DNOs) cost and with this making up 40% of the total domestic customer bill, it is imperative that all available levers are applied to drive down the costs for customers now and into the future.

We therefore commend the NIAUR for this work in driving down costs and would like to make a number of comments on the broader landscape which may influence the final determination.

### **Incentive Connections**

We note that in GD14 the Regulator stated that it would cut the connection incentive by 50% but that you have allowed a more gradual glide through to 2022. While we have no real detail on how DNOs spend this money we have concerns that this cut may impact on how many connections are made onto the gas network. These concerns stem from our experience in the intensive hand holding that is required for some customers to make the final decision to move to natural gas. We still hear from people about their fear of gas. We know that an intensive period of time can pass with much contact, before a householder will even consider natural gas and then ultimately decide to convert to gas.

Additionally we also believe that the current climate is much more challenging for gas connections due to:

1. The recent and predicated short to medium term falls in the price of home heating oil.
2. The Department for the Communities, statutory fuel poverty scheme, Affordable Warmth is only intervening in up to 3,500 households with a smaller proportion of these interventions being boiler replacements much lower than previous years.
3. The proposed ending of the Boiler Replacement Scheme in 2017.
4. The ending of the Northern Ireland Sustainable Energy Programme (NISEP) in 2017.
5. The introduction of welfare cuts which will put increasing stress on many families in Northern Ireland, both working and non-working.

While the Draft Determination may have taken these issues into consideration when deciding to reduce the size of the incentive as was originally envisaged in GD14, NEA would still ask that these issues are considered in the round.

Useful information in considering this issue would be more evidence of what the incentive elements pay for and if indeed they could be used more towards the cost of installing natural gas especially in the light of the proposed new EnergyWise. This scheme proposes to offer small grants and ask for top ups from the householder in the form of hard cash or loans. The fuel poor households will be excluded from this proposed scheme based on an inability to find the hard cash and inability to access loans due to poor credit ratings. We also note that SGN Business Submission for Gas to the West included a £50 incentive payment to target fuel poor households. We would be grateful for more information on this initiative as it could help set a precedent for how we encourage and enable connections onto the gas network.

### **Infill Mechanism**

We understand that there needs to be an economic test in this area otherwise we could go on ad infinitum with infill, however we do want to see a balance whereby as many households as possible can be connected onto the natural gas network. This will be good for existing and new customers if the balance is correct. It does seem unfair that someone living in an adjacent area cannot access the network or will need to pay to a connection fee which was not applicable to their gas connected neighbours. We empathise with these households and understand that if in fuel poverty, these costs would be prohibitive and exclude them from connection. Again we rely on the sound judgement of the UR to weigh up the costs and benefits for all those consumers now and into the future.

NEA's mission is to ensure that everyone in the UK can afford to meet their energy needs in the home, sufficient for good health, comfort and wellbeing. As such organisations like the UR are instrumental in ensuring that in the absence of competition DNOs are giving customers the best value and service. NEA has neither the resource or expertise to scrutinise this economic process therefore our comments are made in the light of our knowledge and experience of working within the fuel poverty arena and working directly with householders, government schemes and industry.

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