

Review of the Northern Ireland Sustainable Energy Programme (NISEP) & Energy Efficiency Provision

Call for Evidence
October 2018



About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organization: Corporate Affairs; Electricity; Gas; Retail and Social; and Water. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.

Our Mission

Value and sustainability in energy and water.

Our Vision

We will make a difference for consumers by listening, innovating and leading.

Our Values

Be a best practice regulator: transparent, consistent, proportional, accountable, and targeted.

Be a united team.

Be collaborative and co-operative.

Be professional.

Listen and explain.

Make a difference.

Act with integrity.

Abstract

The Northern Ireland Sustainable Energy Programme (NISEP), formerly the Energy Efficiency Levy, has provided funding for energy efficiency schemes on an annual basis since 1997/98. The Utility Regulator's forward work plan for the year 2018-19 contains a commitment to review the NISEP. In order to make the review as comprehensive as possible the UR is working with partners in the Department for the Economy (DfE) and The Consumer Council to review the current provision of energy efficiency support within NI and whether there is a need for NISEP (or a replacement scheme) to continue. The purpose of this call for evidence is to seek feedback directly from stakeholders as part of the review process.

Audience

All stakeholders with knowledge of the NISEP scheme. This will include participants of the NISEP scheme, electricity and gas licence holders, government bodies, those with knowledge of the energy services industry in Northern Ireland, and charities or other organisations that work with those impacted by the NISEP.

Consumer impact

The NISEP is funded by all electricity customers through a Public Service Obligation (PSO). In the year 2017/18 the overall amount collected was £7,941,946 which was an average of £9.16 added to every customer bill (this represents an average across domestic and business customers). The consumer costs and benefits of NISEP will be examined as part of the review.

Introduction and Background

- 1.1. The former Energy Efficiency Levy (EEL) Programme was set up in 1997/98 by the Utility Regulator (UR). Following a review in 2008, UR decided it should be renamed as the Northern Ireland Sustainable Energy Programme (NISEP), and that it should continue for a further three years. For the past number of years the NISEP has been extended on a temporary basis in order to allow time for the development of a replacement and in order to avoid a perceived gap in energy efficiency provision.
- 1.2. NISEP is currently funded by every electricity customer through a Public Service Obligation (PSO) charge. This means that a small charge is applied to every electricity bill, and collected by Northern Ireland Electricity Networks (NIEN). The charge is applied per kilowatt hour of electricity used i.e. the larger the amount of electricity you use, the larger the charge.
- 1.3. The NISEP is an energy efficiency programme with the following strategic objectives:
 1. Efficiency in the use of energy;
 2. Socially and environmentally sustainable long-term energy supplies; and
 3. The above at best value to customers whilst also having due regard to vulnerable customers.
- 1.4. The main purpose of NISEP is energy saving, i.e. the ability to get the same amount of work or comfort for a reduced amount of energy

consumed. Reduced energy consumption has a number of benefits to all customer groups not just those who receive the immediate measure.

1. Using less energy means we import less, therefore improving security of supply.
2. Using less energy makes it easier for Northern Ireland to meet its carbon reduction targets.
3. Using less electricity makes it easier for Northern Ireland to meet its renewable electricity targets; this is because the renewable electricity target is expressed as a percentage of electricity consumed.

- 1.5. Although NISEP is primarily an energy efficiency scheme, as a result of a consultative process, in recognition of the widespread problem of fuel poverty, UR agreed in 2002 to a Northern Ireland Assembly request that 80% of the funding would be ring-fenced for energy efficiency measures aimed at vulnerable consumers.
- 1.6. The NISEP was intended to be a temporary scheme. In 2008 the UR decided that NISEP should last 3 years and would be reviewed in 2012. At the time the then Department for Enterprise Trade and Investment (DETI), now the Department for the Economy (DfE), was considering the development of a replacement energy efficiency initiative. In 2012, following a request from DfE, the UR agreed to keep the NISEP open until the earlier of March 2016 or the introduction of the replacement energy efficiency initiative. On a number of occasions and following on from consultations and/or engagement with DfE the NISEP has been further extended; again for the purpose of ensuring that there is no gap in energy efficiency provision and to give DfE time to design a replacement. The NISEP remains in operation until at least March 2020. The NISEP is

currently the only Northern Ireland policy measure contributing energy savings toward the UK target under the Energy Efficiency Directive.

1.7. Achievements of the NISEP from April 2010 to March 2017 include:

- £54,276,39 spent, giving £610,298,990 worth of benefits to customers (over the lifetime of measures),
- 4884 GWh energy savings,
- 890,427 tonnes carbon savings,
- 12,303 homes have benefitted from installation of heating systems,
- 33,152 homes have benefitted from loft insulation measures,
- 15,402 homes have benefitted from cavity wall insulation measures,
- 144,001 low energy lightbulbs installed,
- Other measures such as, energy monitors, radiator panels, shower flow regulators, heating controls installed,
- Support for commercial measures such as low energy lighting and technologies e.g. variable speed drives, variable speed compressors, heating controls.

Purpose of this Call for Evidence

- 2.1 The UR's forward work plan for the year 2018-19 contains a commitment to review the NISEP. In order to make the review as comprehensive as possible the UR is working with partners in the Department for the Economy (DfE) and The Consumer Council. The review will be undertaken in two phases:
- I. The first phase will look at the current provision of energy efficiency support within NI and whether there is a need for NISEP (or a replacement energy efficiency scheme) to continue;
 - II. If the first phase establishes a need for an ongoing programme, the second phase of the review will develop options for an appropriate vehicle for energy efficiency provision going forward.
- 2.2 Consumer engagement is an essential part of this review and The Consumer Council, through a public procurement process, has contracted Perceptive Insight to undertake qualitative research to further our understanding of domestic consumers' awareness of, and approach to energy efficiency schemes in Northern Ireland. A series of focus groups is being conducted across Northern Ireland, along with in-depth interviews with a sample of householders that have benefitted from a NISEP scheme.
- 2.3 The purpose of this call for evidence is to seek feedback directly from stakeholders to further inform phase one of the review process. This call for evidence will work alongside the consumer engagement element of the review and will help to ensure a comprehensive evidence base for any future proposals. A consultation document on the first phase of the review will be published in due course. It is important to the UR that a range of stakeholders are given the opportunity to provide input.
- 2.4 Annex 1 of this paper contains a list of questions we would keen to hear your views on.

Next Steps

Utility Regulator would be grateful if you could complete and return the questionnaire at Annex 1 to Cheryl.rainey@uregni.gov.uk by 31st October 2018.

This document is available in accessible formats.

Following analysis of the responses received, and completion of the consumer engagement element of the review, Utility Regulator will issue a public consultation in due course, outlining our findings and proposals for going forward.