



**Submission by the National Insulation Association to  
'The Northern Ireland Energy Efficiency Levy – Strategic and Operational  
Review 2008' Consultation'**

**Introduction**

This submission is from the National Insulation Association (NIA). The NIA represents the manufacturers and installers of insulation products including cavity wall insulation, loft insulation, solid wall insulation and other innovative products.

We have no objection to its contents being made public.

Whilst we fully support that the levy has been very successful in meeting its goals over the past 12 years we feel that there is now an opportunity to re-evaluate those goals and ensure that this Scheme contributes effectively to lowering carbon emissions and reducing the fuel bills of as many customers as possible in Northern Ireland.

A real step change in the amount of insulation being installed in the NI housing stock is required if the admirable overall energy efficiency improvement since 1996 of close to 20% is to continue. As was acknowledged by Brian Rowntree<sup>1</sup> this is largely due to the amount of fuel switching and the "*huge increases in all types of insulation.*" There is a long way to go to meet the target of a 34% overall energy efficiency improvement, but we are now half way there and NIA believe that if the recommendations below are accepted then this target can soon be met.

We have answered all of the direct questions put in the consultation below with additional information and views which we hope will be considered. If the Authority would like any further information or a direct meeting to discuss any views or information provided in this submission in more detail then please contact Neil Marshall on 01525 383313 or [neil.marshall@nationalinsulationassociation.org.uk](mailto:neil.marshall@nationalinsulationassociation.org.uk) to arrange this.

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<sup>1</sup> Ninth Annual Report of the Home Energy Conservation Strategy for Northern Ireland

***NIA responses to the specific proposals for reform as presented in the Skyplex report to the utility regulator are detailed below:***

**Organisations other than licensed electricity suppliers should be permitted to compete for Levy funding, albeit with certain restrictions as to who should be eligible to apply for Levy funding should be considered.**

We support the concept of the proposal which will allow for greater competition in relation to the development of the schemes and the such which will be very beneficial, as has been seen with comparable schemes in GB.

However, we should suggest that at this time such approaches are trialled and piloted but that this should not put at risk the effective use of the majority of the funds. At the moment there is a plethora of schemes being initiated under the levy which results in a number of problems for both customers and our members who actually install the measures in individual's households.

These include but are not limited to the following:

- Confusion as to the eligibility criteria and costs for each individual scheme
- Confusion from the public as to why there is such a large number of schemes
- Different marketing messages being used within different schemes
- **Stop/start for installers in terms of different schemes dates and when monies are released for different schemes**

To overcome these problems and reduce the administration costs we recommend that the highly successful Cash Back Scheme administered by the Energy Saving Trust is expanded and is the main focus of levy monies moving forward. This is a simple to administrate scheme which is popular with customers and marketed professionally and clearly to the public. However, this has suffered from intermittent funding which has often resulted in customers having to wait great lengths of time to have the measures they require. This scheme should be greatly expanded in terms of funding and is an excellent delivery route for the Energy Efficiency Levy. This has the advantage of being clear and simple to understand for the public, popular with installers who visit householders homes and easily auditable in terms of ensuring value for money for the Authority. We have seen only this year that the funds for this scheme have once more been exhausted. This demonstrates that it is as popular as every with consumers and still very much underfunded.

Whilst the Authority may wish to retain the freedom to instigate other Schemes to test different routes or incentivise different demographic groups we recommend that the vast majority of the levy funds are focussed on the EST Cash Back Scheme.

**The incentive rate should be reduced from £5,120 per GWh of additional energy savings to £1,000 per GWh, and more realistic incentive targets set.**

We fully support more realistic targets being set and believe that these should have a consumer in addition to a carbon aspect. For example number of households assisted, taken out of fuel poverty and quite simple targets as to the number of technical measures installed.

**Pending analysis of the 2006 House Condition Survey, the Utility Regulator should seek views as to the size of the levy. In the absence of views to the contrary, the Levy should remain broadly at current levels for the first year (with appropriate indexation). Taking the reduction of 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.**

There is a clear and undeniable justification for increasing the size of the levy on customers. In a time of rising fuel prices it is essential that there is a funding mechanism to increase the energy efficiency of the housing stock to ensure that it is more efficient to heat ongoing.

Unlike most other products and measures there is no natural trigger for insulation, such as when a boiler is required to be replaced because it has broken down, and therefore it is vital to incentivise the public as much as possible. This is made more simplistic if easy to comprehend schemes such as the cashback are expanded.

There are still far too many homes in Northern Ireland without effective insulation and the levy is required to overcome this. Whilst the improvements made to date have been impressive there is still a great deal to be done. Some of the figures outlined below from the 2004 Interim House Condition Survey highlight this and the 2006 data will support this:

- Some 85% of households have inadequate loft insulation compared the building regulation standard of at least 200mm. Some households have none at all, whilst over 20% have less than 100 mm and over 60% only have between 100-150mm of insulation;
- Wall Insulation; over 20% of households have no wall insulation according to the Interim Results although the view of those working on the ground is that 20% is an incredibly conservative figure.
- Draught Proofing; the vast majority of households require this measure or require it to be updated.

There seems to be a real lack of equity in that customers in Great Britain pay far more than the much lower sum raised in Northern Ireland. Therefore it would be entirely justified and equitable if a similar scale of contribution were provided by Northern Ireland residents.

**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 acceptable low, consideration should be given to increasing the size of the fund in later years.**

Please see above. However, we have recently seen, yet again, that the cash back scheme has ran out of funding and therefore this has led to customer disappointment and disaffection. An immediate rise in the level of the levy is required.

**The relative focus of the EELP on priority schemes – currently 80% - should be reviewed in the 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 with fuel poverty; and (iv) on an ongoing basis, depending on the types of scheme submitted following changes to widen the range of organisations eligible to bid for Levy funding.**

EEL should have its focus on carbon reduction, there has already been a great deal of investment in NI for fuel poverty schemes. Given that in 2003, space heating accounted for 53% of carbon dioxide emissions in the residential sector in the UK it is essential that everything possible is done to reduce these emissions and help to achieve the Government's carbon reduction targets.<sup>2</sup> The challenge therefore is to ensure that generated heat is not wasted by it simply escaping into the atmosphere through lack of adequate insulation in the existing housing stock. It would seem to be wasting resources if the EEL funds were continually competing with the fuel poverty programmes to find a limited number of vulnerable customers.

Within GB it was accepted that the 50% of resource devoted to lower income groups under EEC was too high and for the next phase of the scheme this was reduced to 40% and all over 70's included in the grouping. This lesson should also be learned in Northern Ireland.

Such targeted assistance as provided under the fuel poverty programmes should be supplemented and supported with wider energy efficiency programmes installing the most cost effective measures in as many households as possible as cheaply as possible. This is indeed an issue of equity, as all households have to contribute to the levy then all households should have an equal opportunity of benefiting. At the moment 80% of the levy funding is focussed on benefiting only around a third of households (fuel poor). This does not represent equity for the vast majority of NI households and at a time when an increase in the levy is required this type of disparity could result in a negative reaction and lack of support for such an increase from the general public and consumer groups.

There is also an increased cost in identifying and targeting fuel poor households which means that far less measures will actually be installed for every £1 spent under the levy than if this 80% stricture were removed. Therefore we would propose that the proportion of funding targeted at fuel poor households be reduced to reflect the proportion of fuel poor households within the NI housing stock. For the reasons outlined above NIA believe that the fuel poverty programmes tackle fuel poverty utilising the correct funding mechanism of general taxation.

It is now acknowledged that the majority of the housing stock owned by the Northern Ireland Housing Executive has received the most cost effective energy efficiency measure, Cavity Wall Insulation. Therefore, there now needs to be a far greater focus on the owner occupied (68% of total in 2004) and private rented sector (9.2%) with the increased marketing costs that this will require. It is vital that levy monies are used as cost effectively as possible rather than trying to identify a steadily reducing proportion of fuel poor households who are not insulated. There are still over 20% of properties which require their walls to be insulated, a number which seems very conservative from our own experience,

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<sup>2</sup> Data from Review of the UK Climate Change Programme 2006 (Defra)

and it is vital that these are treated as quickly as possible.

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

At a time when all other agencies are looking to encourage the whole house approach this seems particularly wasteful. There is no reason that a 'limited whole house approach' cannot deliver all the benefits cost-effectively. Below is a clear example of where this would be beneficial.

At present there is not a sufficient incentive to ensure that loft insulation is topped up at the same time as Cavity Wall Insulation is installed. This means that in the future these households will have to be found once again and incentivised to have this work carried out which will result in additional costs. A slight change to make loft top-ups more attractive to installers and the public will overcome this. This represents a vast proportion of the housing stock with the Interim 2004 House Condition Survey estimating that only 8.1% of the housing stock has more than 150mm of loft insulation. Therefore over 90% of the housing stock requires their loft to be topped up or have none. It is essential that these households are assisted.

This is particularly wasteful if an opportunity to top up loft insulation from 100mm is not taken when that property is having Cavity Wall Insulation installed. NIA estimate that the additional costs of going back and rectifying the lost opportunity are in the range of £85-130 on top of the measure cost. These costs of lead generation and surveyor's time would ultimately be borne by the energy customers and furthermore there is a real risk that householders would not be able to be incentivised to have this done in the future. This is a spectacular own goal in terms of carbon savings being lost or delayed at greater cost in the long term.

Therefore we agree that a whole house approach should be based upon cost-effectiveness but that the case above demonstrates where this has clearly not been done.

**Views should be sought as to whether schemes should be permitted to assist 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 fuel subsidy.**

We have explored this issue but cannot understand how any 'fuel assistance' is not a 'fuel subsidy'. This is a complete misuse of the funding raised and could have very negative effects in relation to consumer acceptability of the justification of the levy. Any form of fuel subsidy should be rejected outright.

**The utility regulator should seek views on ending the segregation of funds between non-priority domestic customers and non-priority commercial measures, in order to maximise energy efficiency gains.**

As an industry we would welcome proposals as to how this could be carried out in an equitable manner.

**The 20% additionality criterion should be augmented by a requirement for**

<b>scheme proposals to justify why measures are additional.</b>
This is a sensible proposal. However, it will be essential to ensure this does not involve unnecessary administration which could present an obstacle to the efficient administration of schemes.
<b>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 indirect costs is realistic, the maximum funds are available to be spent on measures.</b>
On balance we would support this assertion. However, this should not present further administrative barriers to the effective administration of schemes.
<b>The raising of levy on funds should not be extended to gas unless it is also extended to oil.</b>
We fully agree with this assertion. It would not be equitable or fair to have gas levied when it only accounts for 8% of households when oil accounts for 65% <sup>3</sup> , and this should therefore not be considered unless oil could be included in the levy as well.
<b>The option of placing obligations on suppliers to submit a certain quantity of schemes should not be introduced initially but should be kept under review in light of experience.</b>
No comment.
<b>The Utility Regulator should seek views as to whether scheme sponsors should be required, in the interests of transparency, to explain to customers the origin of funds used to pay for energy efficiency.</b>
Transparency should always be a key concern to ensure consumer acceptance and buy-in. Therefore such a scheme sponsor could have merit in relation to this but it will be essential that whoever is chosen to do so is done in a manner which ensures buy-in from all parties.

**For further information please contact Neil Marshall on 01525 383313 or at [neil.marshall@nationalinsulationassociation.org.uk](mailto:neil.marshall@nationalinsulationassociation.org.uk).**

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<sup>3</sup> Interim 2004 House Condition Survey