

NIAUR's Consultation on NISEP revised Framework Document for 2013-2014

Power NI's Response

26 September 2012



Introduction

Power NI welcomes the opportunity to respond to the consultation on the revised Framework Document for 2013-14. Only questions of relevance to Power NI have been answered below.

Q2. Do you agree that the final date for schemes bids to be submitted to the Programme Administrator should be put back to 31st December 2012 to allow more time for schemes to be developed following this consultation?

Yes. Power NI agrees with the change in date, providing that this does not affect the approval timetable that EST and NIAUR have to notify of scheme approvals.

A timetable for responses to queries, scheme variations etc should also be put in place to ensure smooth running and avoid 'stop start' approaches to schemes.

For example - Power NI submitted a scheme variation for Energy Saver Homes end of June. This was only endorsed by EST on 7th September and passed to NIAUR. Final approval was awarded 19th September. This clearly does not make for managing a scheme efficiently.

Q3. Do you agree that the NISEP funding should remain static at the 2012-13 level until the NISEP is reviewed or a new energy efficiency measure is introduced?

This is in essence a real reduction in funding which would appear to be at odds with NIAUR's duties regarding protecting vulnerable customers. Furthermore NIAUR has not provided any justification for such a real reduction in funding.

Power NI sees no reason not to continue with a RPI uplift each year. There is no guarantee that any new measure will be introduced quickly, therefore to enable the energy efficiency industry to be sustained, Power NI would suggest continuing with the current arrangements rather than remain at 12/13 levels.

Q4. Do you agree that Solar PV should be the only type of renewable energy measure approved for NISEP schemes? (Bearing in mind that, as per Section 2.1 of the Framework Document, measures promoted must be in customers financial interest i.e. the present value of the lifetime customer benefits should exceed the cost of the measures.)

Power NI believes that it is too early to assess the impact of the RHI in helping to stimulate the market for small scale renewables. Power NI therefore believes it would be prudent to keep an open mind on the possible inclusion of renewable technologies other than PV.

Q5. Do you agree that a 10% ring-fence of funding for innovative and renewable energy measures (Solar PV), is more appropriate than a 5% ring-fence for renewable (Solar PV) and a 5% ring fence for innovative?

As the innovative category has been rarely used, this is a theoretical question which is unlikely to change the current situation.

Power NI would like to make the point again (as it has done on many other occasions) that the reason why there are few innovative schemes is that the cost effectiveness target is too challenging. Innovative measures, by their nature, are new and don't generally benefit from economies of scales (and consequently are more expensive e.g. LED lights). They require a degree of pump priming to bring them into the market and enable the price to reduce. It is therefore ridiculous to set a cost effectiveness target similar to an established measure. If NIAUR is not willing to change the targets for innovative schemes, Power NI would propose channeling the 5% funding ringfenced for innovative schemes into a domestic non priority ringfenced 'pot' rather than making all the funding available for PV which is already supported through ROCs.

Q6. Respondents are asked to comment on what the appropriate level of incentives should be for delivery of NISEP schemes.

Power NI's view is that the current incentive arrangements are unsatisfactory. A number of points are outlined below:

- Power NI does not agree with the placing of a cap on incentives. There is in place a voluntary recycling mechanism should a supplier earn over 8% incentive. A cap is therefore not required and stifles innovation and reduces the likely energy savings to be delivered by the NISEP (which is surely not what NIAUR/government policy should be doing).
- The current incentive levels often don't cover the cash flow requirements and management effort required to deliver schemes.
- The cost effectiveness targets for many individual scheme types are absurd. Power NI has pointed many of these out to NIAUR in previous consultations. Should NIAUR genuinely wish to ensure that the NISEP is an incentivised programme which rewards the fulfillment of the aims of the NISEP including tackling fuel poverty (as agreed by the NI Assembly) there should be a proper review of the cost effectiveness targets.
 - Eg 1. a whole house package for a priority customer is challenging to deliver (to find eligible customers and deliver a significant intervention in their home) – the cost effectiveness target is 4.55p/kWH – in the year 2011/12, Power NI only achieved a cost effectiveness of 4.83p therefore no incentive would be payable. There is therefore no incentive for delivering the most challenging and worthwhile schemes which significantly benefit the fuel poor and vulnerable in society.
 - Eg 2. the insulation cashback was not funded in the current year as it is competing with commercial schemes which are more cost

effective and again the target is too challenging....again making no incentive. (see suggestion in question 5 regarding a ringfenced pot for domestic non priority schemes)

Q7. Do you have any comments on or issues with the revised Accedence Document contained in Appendix 8 of Annex 1?

There are a few issues / points to raise:

- The Programme timetable should be included along with standards for turn around times for queries, scheme variations etc which should be adhered to by all parties
- We note that all records relating to schemes are now required to be kept for a period of 12 years which varies from the Framework Document of 6 years. Also audits can be carried out at any stage up to 5 years after termination of the agreement?
- 7.2a - Asks that primary bidders ensures schemes are implemented and conducted in a manner that is consistent with the requirements of State Aid – we are not experts on this so would not be best placed to ensure guidance in place is adequate to meet these requirements
- 12.1b states that NIAUR may publish details of any application made under the agreement – what do they envisage this including?
- 14.3 states that any sub contract must be awarded on principles of best value for money (best price-quality ratio), transparency and equal treatment (for info on what is acceptable see 1.6 of the Framework Document) - as detailed below section 1.6 of the framework document is still a grey area and would need further clarification

Q8. Do you think that the guidance regarding compliance with State Aid, now contained within the Framework Document, is clear and adequate?

Power NI is not an expert on state aid requirements and therefore not able to comment on the adequacy of NIAUR's proposals. We do however point out the requirements that have been put in place this year are leading to customer confusion and would suggest that NIAUR provide further clarity.

Q9. Do you have any comments on the additional clarification in the Framework Document regarding procurement arrangements, sub-contracting arrangements and partners?

Power NI is concerned that the 'clarification' on procurement remains rather 'grey'. For example:

- NIAUR should outline what it expects to be best practice
- Clarification is needed on what is a 'significant level of expenditure'.
- The requirement to do a publically advertised tender every three years could result in two years of no tender with a tender in the third year.
- The requirement to provided detailed feedback and written evaluation introduces additional indirect costs into an already expensive process so taking funds from direct energy efficiency measure support.

In addition, installers seem to think that recipients of NISEP funds must allow them to have access to the fund. Power NI and indeed other primary bidders are not government organisations and therefore should not be obliged to accept installers onto a scheme who do not meet certain criteria, do not adhere to the terms and conditions of the funding and do not deliver a high standard of quality of both installation and customer service.

Any procurement rules should be applied consistently between all primary bidders. Anything less than a level playing field is clearly unacceptable.

Q10. Do you have any comments on the revised Section 2.5, Payment of NISEP Funding, in the Framework Doc

Power NI welcomes the option for primary bidders to submit funding claims and be paid on a monthly basis. The timetable outlined for making payments satisfactory, assuming that the 25 days means that funds will be received into the primary bidder bank account within that time, and there isn't a further delay in actually paying funds.

Other issues

Power NI would like to see all parties adhering to strict timetables. Power NI understands that not all bidders in the last year did adhere to the timetable for submission of post implementations. In addition, Power NI would like a timetable to be introduced for scheme variations.

Framework suggests that old oil is eligible for replacement - but the cost effectiveness of this measure excludes it (if the work is carried out to the required standard). We are experiencing more requests to replace old/broken natural gas boilers – would these be eligible? (however the same issue as above would then apply).

We have seen other primary bidders essentially replicating Power NI schemes – we think this should be prohibited to avoid potential double claiming.