



**Response to:**

**Utility Regulator**

**A Consultation Paper on the  
Northern Ireland Electricity  
Transmission and Distribution Price  
Controls 2012-17**

**July 2012**

## Introduction

Age NI welcomes the opportunity to respond to the Utility Regulator's consultation on the Northern Ireland Electricity Transmission and Distribution Price Controls 2012-17.

Age NI is the new, independent charity for older people in Northern Ireland, and our vision is to *'create a world in which older people flourish'* and our mission is *'to enhance and improve the lives of older people.'*

Age NI has a keen interest in the cost of energy in Northern Ireland as this has been the top concern of older people from across Northern Ireland for a number of years. The survey from the Age Sector Platform's 2012 Northern Ireland Pensioners Parliament revealed that more than 4 out of 5 pensioners (81%) list energy prices as one of their top concerns. According to the Northern Ireland Life and Times Survey, 70% of older people say that staying warm in winter is the single biggest problem facing older people. This represents a significant increase on figures for 2003, when 38% of older people reported this problem.

The sharp rise in energy prices over the past number of years has plunged more older people into fuel poverty meaning that consultations on price controls that affect almost a quarter (24%) of the household electricity bills are important in trying to keep energy prices as low as possible, particularly for those consumers most vulnerable and at risk. Official statistics estimate that 62% of older people are living in fuel poverty, up from 47% in 2006, which highlights the scale of this problem affecting our older population.

Within this context it is vital that costs are kept to a minimum to reduce the hardship that high energy costs are having on all sections of society, but particularly those most vulnerable to the cold and who are on low, fixed incomes.

However, while cost of energy bills is the number one concern of older people Age NI recognizes that there also needs to be adequate investment in the electricity infrastructure. It is important that security of supply is maintained at high levels and that quick and responsive emergency plans are in place to mitigate the effect of electricity outages on vulnerable groups of consumers, including older people who are often reliant on electricity supply for medical reasons.

Many of the issues discussed in the document are very technical in nature and therefore there is a limit to the amount of detailed comment we can provide in some areas. We therefore look to the Utility Regulator as the expert in scrutinizing the proposals and have taken on board the analysis made by the Regulator throughout when preparing our response.

We have however provided comment on a number of issues that we believe are important if this price control review process is to deliver a fair deal for consumers, and particularly for many older people who are among the most vulnerable recipients of electricity supply. We have structured our comments under the headings as they appear in the consultation document.

One issue that we believe continues to be overlooked in the debate on energy prices is social price support to those who are particularly vulnerable through low-income and high dependency on energy dependency. Many older people are not as mobile as other age groups and this means they spend proportionately more time in the house which means they generally need more electric and heating. We are aware that in Great Britain many older people benefit from a warm homes discount scheme which provides them with a discount of £130 off their electricity bill during the winter. Age NI would like to see a similar scheme set up through NIE in Northern Ireland so that pensioners here get the same help as those in the rest of the UK. An Age NI survey revealed that 91% of older people agree that those struggling to heat their homes should be charged at a lower rate

## **Consultation**

Age NI commends the Utility Regulator for its efforts in reaching out to promote this consultation to the community and voluntary sector through the consultation process. A consultation as technical as this is often not responded to by organisations and charities in the community and voluntary sector but the decision to host an event along with the Consumer Council to explain the consultation in 'lay mans terms' is appreciated and is good practice in terms of consultation.

## **Reporter**

Age NI notes the comments on page 7 of the consultation document in relation to introducing a Reporter to NIE, similar to what is currently done in the water sector, and believes that this sounds like a very worthwhile measure that can ensure stronger scrutiny and accountability in relation to issues surrounding the Price Control.

The introduction of a Reporter could also help improve the supply of information required to enable the Regulator to determine the appropriate amounts of funding required to allow the company to meet all its performance objectives. This is important as it is clear from this consultation that NIE has failed in a number of areas to provide the factual evidence needed to justify its funding requests.

Therefore, Age NI would strongly support the proposal to introduce a Reporter for RP5 and believes the advantages of doing so would heavily outweigh the additional costs associated with this proposal.

## **Change to Capitalisation Practice during RP3 and RP4**

Age NI is concerned with the comments on page 11 of the consultation that consumers may have paid twice for certain services provided by NIE. At a time when so many people, and particularly vulnerable consumers, are living in fuel poverty it is essential that there should be no instances where

consumers pay more than they should for any aspect of energy provision. Age NI would urge the Utility Regulator to carry out a thorough investigation on this matter to ensure that no consumers are paying more than they should.

### **NIE Powerteam**

We note the comments of the Regulator with regard to the work being carried out by the NIE Powerteam and are concerned that this arrangement may not be providing consumers with best value for money.

The comments that no market comparisons or benchmarking has been carried out into the services provided by the Powerteam is concerning as the absence of this means there seems to be little ambition from NIE to ensure that these services are delivered at a competitive and value for money rate for customers. We are also concerned with the comments regarding the higher rates of salaries paid to this company.

We believe that it would be in consumers' best interests if current arrangements were changed and support the proposal from the Utility Regulator that the services provided by this company are subject to a competitive procurement process as this provides the best chance for consumers to get value for money in this regard.

### **CAPEX Increase**

The gap between what NIE is asking for and what the Utility Regulator is suggesting is massive, and highlights to Age NI that the result and outcome of this consultation process has potentially significant impact on household electricity bills for many years. Age NI is surprised by the scale of difference between the request for Capex funding from NIE and the amount suggested by the Regulator.

We note the comments that the request for this sizeable increase in funding is not supported with factual evidence and strongly agree with the position being

taken by the Regulator that this funding cannot be allocated in the absence of this evidence.

### **Network Performance**

It is good to see NIE has easily met its performance targets in relation to customer minutes lost but the ease of meeting this target suggests that the bar for minutes lost may be set at too high a level. In the interests of consistently striving to improve service Age NI suggests that these targets should be reviewed and strengthened to ensure performance continues to be good in respect to electricity outages.

### **Renewable Energy Projects**

Age NI believes the proposal by the Regulator for facilitating renewable energy by allocating money on a case by case basis seems a balanced and reasonable approach. While it is important to develop renewable energy it is vital that this is done within an energy strategy that delivers for consumers and one in which the money spent on schemes can clearly be seen as beneficial to energy users both in the short and longer term.

### **Controllable Opex**

Age NI supports the proposal that NIE must make 9% efficiency savings in its controllable opex. However, it raises questions about how efficient NIE has been operating for a number of years and Age NI is concerned that the price of inefficient performance is extra costs on already struggling consumers.

Age NI welcomes the challenge from the Regulator in relation to NIE's costs and hopes that efficiency savings are made as soon as possible. We also note NIE's request for additional funding for new costs but believe that NIE should be required to make the efficiency savings that would appear to be able to make before it is granted additional money.

## **Guaranteed Standards of Service**

The Regulators intention to review Guaranteed Standards of Service (GSS) is welcome and the new standards need to reflect what customers want from their energy network. Age NI also welcomes the proposal that the existing guaranteed standards will be updated to reflect RPI inflation since the values were originally set. While the price of energy remains the top concern for older people across Northern Ireland it is also vital that reliability and safety standards remain high and that strong and robust 'vulnerable consumer' plans kick into place when there is disruption to supply.

## **Impact on Electricity Tariffs**

Age NI is seriously concerned with the statement that NIE's T&D proposals would result in a 25% increase even before inflation and any subsequent additional costs associated with the development of renewables are added.

At a time when 62% of older people are in fuel poverty, every opportunity to reduce the energy bills of consumers, and in particular older consumers who are one of the most vulnerable groups, must be seized. We are alarmed that such a proposed increase in costs has been presented to the Regulator without factual evidence to justify it. We are pleased that the Regulator has not accepted this major, and potentially serious, increase and pleased that the counter proposals could lead to some modest reduction in bills, at least before inflation is factored in.

We would urge the Regulator to investigate thoroughly NIE's proposals and only increase its proposal if it was convinced the additional funding was essential and could not be made from efficiencies elsewhere in NIE's operations.