

Northern Ireland Sustainable Energy Programme

Consultation on extension to programme and
reallocation of costs between customer
groups

April 2015



About the Utility Regulator

The Utility Regulator (UR) 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 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 senior management team representing each of the key functional areas in the organisation: Corporate Affairs; Electricity; Gas; Retail and Social; and Water.

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 NISEP is a temporary programme which has been extended a number of times. It was due to close on 30 March 2016. The purpose of this consultation is to ask for views on;

- the further extension of NISEP until the earlier of 30 March 2017 or the introduction of an alternative energy efficiency scheme on the basis that the way NISEP costs are allocated is changed so that 80% of costs are allocated to domestic customers and the remaining 20% are allocated to non-domestic customers.

Audience

This paper is most likely to be of interest to the regulated companies and other organisations that participate in the NISEP, energy services companies, the renewables industry, energy efficiency, fuel poverty and advice giving agencies, consumers and consumer representative groups, government and other statutory bodies.

Consumer Impact

The NISEP is an energy efficiency fund which runs from 1 April to 31 March each year. The costs are recovered via a Public Service Obligation (PSO) charge which is included in the NIE tariff. The NIE tariff year runs from October each year and there is a system in place for correcting for any under or overspend within the tariff period. NISEP also allows unspent funding to be rolled over to fund additional NISEP projects the following year. The difference in the cost recovered in the tariff year between not extending NISEP and extending the NISEP for one year or until 31 March 2017 is as follows:

	2015/16 Tariff £m	2016/17 Tariff £m
NISEP Ending March 2016	7.261	2.743
NISEP Ending March 2017	8.614	9.071

Currently NISEP costs are charged equally to all customers based on a flat per kWh basis, this means that customers who use higher volumes pay more than those who consume less. We have been asked by the Department of Enterprise Trade and Investment (DETI) to consider extending NISEP on the basis that 20% of the costs are allocated to non-domestic customers and the remaining 80% are allocated to domestic customers. The benefits of, and measures installed by NISEP are set out in Appendix 1 and 2. The impact of changing the way costs are allocated and extending NISEP are set out in chapter 3.

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1. Introduction

- 1.1 The Utility Regulator (UR) is the independent non-ministerial government department responsible for regulating Northern Ireland's (NI's) electricity, gas, water and sewerage industries.
- 1.2 Our work is based on the duties we have in law. These include:
- protecting the interests of electricity consumers with regard to price and quality of service by promoting effective competition where appropriate,
 - promoting the development and maintenance of an efficient, economic and co-ordinated gas industry while protecting the interests of gas consumers; and
 - a duty to protect the interests of water and sewerage consumers by promoting an efficient industry delivering high-quality services.
- 1.3 While the UR must protect all consumers, we must also have due regard for, among other things;
- the ability of those we regulate to finance their activities;
 - promoting the efficient use of electricity, gas and water;
 - secure a diverse viable and environmentally sustainable long term energy supply;
 - sustainable energy supplies; and
 - specific groups of customers, in particular those who are:
 - disabled or chronically sick;
 - of pensionable age;
 - on low income; or
 - living in rural areas. (electricity and water)
- 1.4 This consultation paper seeks stakeholder views on the following proposal to;
- further extend the Northern Ireland Sustainable Energy Programme (NISEP) until the earlier of 30 March 2017 or the introduction of an alternative energy efficiency scheme on the basis that the way NISEP costs are allocated is changed so that 80% of costs are allocated to domestic customers and the remaining 20% are allocated to non-domestic customers.

Next Steps

- 1.5 Once all the responses to this paper are received and analysed, we will share the results with the Department of Enterprise Trade and Investment (DETI) and then issue a decision paper.

Equality Considerations

- 1.6 As a public authority, the UR has a number of obligations arising from Section 75 of the Northern Ireland Act 1998. These obligations concern the promotion of equality of opportunity between:
 - i. persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
 - ii. men and women generally;
 - iii. persons with disability and persons without; and
 - iv. persons with dependants and persons without.
- 1.7 The UR must also have regard to the promotion of good relations between persons of different religious belief, political opinion or racial groups.
- 1.8 In the development of its policies the UR also has a statutory duty to have due regard to the needs of vulnerable customers i.e. individuals who are disabled or chronically sick, individuals of pensionable age, individuals with low incomes and, for electricity only, individuals residing in rural areas.
- 1.9 In order to assist with equality screening of the proposals contained within this consultation paper, the UR requests that respondents provide any information or evidence in relation to the needs, experiences, issues and priorities for different groups which they feel is relevant to the implementation of any of the proposals. Furthermore, the UR welcomes any comments which respondents might have in relation to the overall equality impact of the proposals.

- 1 Respondents are asked to provide any evidence that they have in relation to the impact that the proposals in this paper will have on the groups listed above in relation to Section 75 of the Northern Ireland Act.**
- 2 Respondents are asked to provide any further comments on the impact that the proposals in this paper are likely to have in relation to the promotion of equality of opportunity and the promotion of good relations.**

How to Respond

The Utility Regulator welcomes stakeholder views and comments on all the proposals set out in this consultation paper. Your response will be most useful if it is framed in direct response to the questions posed, though further relevant comments and evidence received will also be welcome.

The consultation period will close on **11th May 2015 (this is necessary in order to finalise the NIE PSO for the year 2015-2016 and publish within a reasonable timeframe)**

Responses to this consultation should be forwarded to reach the Utility Regulator on or before 5.00 pm on 11th May 2015 to:

Alison Farr
The Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED
Email: Alison.farr@uregni.gov.uk

Your response to this consultation may be made public by the Utility Regulator. If you do not wish your response or name made public, please state this clearly by marking the response as confidential. Any confidentiality disclaimer that is automatically produced by an organisation's IT system or is included as a general statement in

your fax or coversheet will be taken to apply only to information in your response for which confidentiality has been specifically requested.

Information provided in response to this consultation, including personal information may be subject to publication or disclosure in accordance with the access to information regimes; these are primarily the Freedom of Information Act 2000 (FOIA) and the Data Protection Act 1998 (DPA). If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things with obligations of confidence.

In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Authority.

This document is available on request in accessible formats. Please contact: Alison Farr (alison.farr@uregni.gov.uk).

2. Background to NISEP

- 2.1 The former Energy Efficiency Levy (EEL) Programme was set up in 1997/98 by the UR. The EEL was reviewed in 2008 and from 2010/11 was re-branded as the Northern Ireland Sustainable Energy Programme (NISEP). The decision paper following the 2008 review stated that the NISEP would continue for three years and the next review of the Programme would be completed by 2012.
- 2.2 In 2012 a full review was not considered necessary as the Department of Enterprise, Trade and Investment (DETI) published an intention in its Energy Bill policy consultation (June 2012)¹ to explore the introduction of an energy efficiency obligation that would potentially replace the NISEP. With the agreement of UR, the DETI consultation asked consultees if NISEP should continue in its present form until a new measure could be agreed upon². The majority of responses to the consultation felt that the NISEP should continue in order to ensure continuity in energy efficiency provision. At this time DETI asked the UR to extend the NISEP, and the UR agreed to keep the NISEP open until the earlier of March 2016 or the introduction of alternative energy efficiency provision.
- 2.3 In April 2014 the UR published a notification paper to inform customers and NISEP participants of the arrangements for the final year of NISEP i.e. the 1 April 2015 – 31 March 2016 year. UR's April 2014 NISEP notification paper set out a range of existing and proposed alternatives to NISEP including the Executive's proposed Household Energy and Thermal Efficiency (HEaT) Programme. At the time the HEaT programme was proposed to commence in the autumn of 2015. While it is still hoped that a positive decision to commence the HEaT programme, or a pilot of the HEaT programme, will be announced in 2015, DETI has asked the UR to consider the further extension of NISEP. However, this would be on the basis that NISEP costs are reallocated so that 80% of the costs are recovered from domestic customers and the remaining 20% is recovered from non-domestic customers. This is to allow time for the further consideration of alternative schemes such as HEaT and to take into consideration the fact that 80% of NISEP funding is ring-fenced for energy efficiency measures which target vulnerable domestic customers. The UR therefore proposes that, in the event that no decision has

¹ http://www.detini.gov.uk/energy_bill_consultation_document_-_11_june_2012__2_.pdf

² Question 2.5 DETI Energy Bill Consultation June 2012

been taken to commence the HEaT programme, or some other alternative, before September 2015, the NISEP will be extended for one further year and will close on 31 March 2017.

- 2.4 The NISEP is a voluntary incentivised programme of energy efficiency schemes, funded by customers through the electricity system in the form of a Public Service Obligation (PSO). This means that a small charge is applied per kilowatt hour of electricity used by all electricity customers. The Programme was set up by the UR in 1997/8, as the Energy Efficiency Levy (EEL), and is operated on an annual cycle with schemes running from April to the following March. Eligible organisations (Primary Bidders), which include licensed energy companies and other organisations who can meet set criteria within the NISEP Framework Document, submit bids in the autumn of each year for schemes to begin the following April. The most cost-effective schemes within a number of ring-fenced categories are awarded funding. Therefore, the types of schemes provided each year will vary according to the schemes brought forward by Primary Bidders and their relative cost-effectiveness. Primary Bidders have total responsibility for undertaking the schemes that they are awarded funding for and must ensure that they abide by the NISEP Framework Document which provides all the rules and procedures for submitting and undertaking schemes.
- 2.5 The strategic objectives of the NISEP are to contribute to the achievement of:
- Efficiency in the use of energy;
 - Socially and environmentally sustainable long-term energy supplies; and
 - The above at best value to customers whilst also having due regard to vulnerable customers.
- 2.6 The benefits of NISEP link directly to the UR's duties. NISEP benefits all customers, not just those who receive the individual energy efficiency measures installed. The main benefit 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 categories and the benefits are not limited to those who happen to be in the same customer category as those who receive the immediate measure. These benefits include, but are not limited to the contribution NISEP makes to the achievement of the UK's energy saving targets contained in Article 3 of the Energy Efficiency Directive (EED)³. For example:

³ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32012L0027&from=EN>

- Using less energy means we import less, thus improving security of supply.
- Using less energy makes it easier for Northern Ireland to meet its carbon reduction targets.
- 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.

2.7 The UR works within a legislative framework and its statutory duties are set out in the Energy (Northern Ireland) Order 2003 (the Energy Order). The EEL Programme was introduced as an important element of the UR's response to the duty to protect customers, in particular vulnerable customers, and also to carry out its functions in a manner best calculated to secure a diverse, viable and environmentally sustainable long-term energy supply. As initially conceived, the EEL was introduced to implement energy efficiency schemes for domestic and non-domestic properties with the aim of reducing carbon emissions. Therefore, the EEL/NISEP is predominantly an energy efficiency programme. In 2002-03 in response to concerns about fuel poverty 80% of the funding was directed to energy saving schemes targeted at vulnerable households. The majority of responses to the UR's consultation on the review of EEL in 2008 supported the retention of the 80% ring-fence for vulnerable customers.

2.8 Therefore since 2002 the majority of the funding (80%) has been targeted at vulnerable (Priority) households in Northern Ireland. The other 20% of funding is available for schemes that target Non-priority domestic households and the non-domestic sector e.g. businesses, commercial and industrial premises, schools and hospitals.

2.9 In the Priority sector, some schemes provide fully funded measures whilst other schemes provide a substantial grant towards the energy efficiency measures. Measures typically provided include: heating systems, fabric (cavity wall or loft) insulation; low energy lighting and hot water cylinder jackets. Household eligibility criteria for Priority schemes can vary between schemes but are based first and foremost on low-income thresholds.

2.10 In the Non-priority domestic sector, schemes have typically provided cash-back offers for measures such as cavity wall, solid wall and loft insulation and small-scale renewables. Non-domestic schemes typically provide a grant of around 20% towards the installation of technology such as variable speed

drives, variable speed compressors and LED lighting systems.

- 2.11 The basic format of the EEL/NISEP has remained the same since its inception in 1997. The last major review was undertaken in 2008, whilst a number of changes were made to the programme following this review, the overall design remained the same.

3. Proposals

3.1 DETI has asked the UR to consider the following:

- In the event that a decision to introduce an alternative energy efficiency scheme (such as HEaT) has not been taken before September 2015, the NISEP should be extended for a limited period of time.
- Regardless of whether or not NISEP is extended; the recovery of NISEP costs should be changed so that 80% of the costs are recovered from domestic customers and the remaining 20% is recovered from non domestic customers. The manner in which costs are recovered should be changed as soon as possible. This means that the change in cost recovery would be effective from the start of the next NIE tariff period, 1 October 2015.

3.2 The reasons are to:

- Take into consideration representations made by, among others, the Energy Justice Campaign regarding the need to extend NISEP;
- Allow additional time for the consideration of alternative schemes which offer similar benefits to NISEP, and which will report energy savings for the purposes of EED targets, in particular the proposed HEaT scheme;
- Take into consideration the fact that 80% of NISEP funding is ring-fenced for vulnerable domestic customers, meaning that bidders seeking funding for non domestic schemes only have access to the remaining 20%.

3.3 The purpose of this paper is to seek views on these proposals.

NISEP Costs

3.4 Every electricity customer pays a small charge per kilowatt hour of electricity used towards funding the NISEP. This is a flat charge which in effect means that large electricity users contribute a lot more than lower users.

3.5 Table 1 below sets out the average annual contribution towards NISEP based on the current system, i.e. a flat rate charged to all customers and with NISEP closing on 31 March 2016. Assuming no extension and no change in cost recovery, the average annual contribution from domestic customers in the tariff year commencing October 2015 is £3.40 for domestic customers and for very large commercial electricity users the average contribution is £7,482.81. Table 2 sets out the position if we assume that the recovery of NISEP costs is

changed so that 80% of the costs are recovered from domestic customers and the remaining 20% is recovered from non domestic customers. This change increases the average contribution from domestic customers by £3.98 per year to £7.38 per year in the year 2015-2016, and decreases the average annual contribution to NISEP costs from all non domestic customer categories. Table 3 shows the impact of extending NISEP for one further year until 31 March 2017 on the basis that that 80% of costs are recovered from domestic customers. The biggest impact is in the tariff year 2016-17 where the average domestic contribution increases to £9.21 per year. Extending the NISEP for one year results in increases in both the 2015-2016 tariff year and the 2016-2017 tariff year because of the overlap between the NISEP year which runs from March to April each year and the NIE tariff year which runs from October to October each year. This overlap means that extension of NISEP for one year will also impact the 2017-2018 NIE tariff year.

Table 1: Base Case (No extension to NISEP and no change in cost recovery)

Market Sector	Average customer numbers in Oct 2015-September 2016	Average Annual Contribution towards NISEP costs for the year Oct 2015-2016 £	Average Annual Contribution towards NISEP costs for the year Oct 2016-2017 £
Domestic	787,605	3.40	1.29
Combined Resid/Bus	7,489	17.77	6.71
SME<70kVA	57,006	17.96	6.78
SME>70kVA	4,918	371.51	140.37
LEU>7MW	198	7,482.81	2,827.22

Table 2: NISEP costs split 80:20 between domestic and non domestic customers. No extension to NISEP

Market Sector	Average customer numbers in Oct 2015-September 2016	Average Annual Contribution towards NISEP costs for the year Oct 2015-2016 £	Average Annual Contribution towards NISEP costs for the year Oct 2016-2017 £
Domestic	787,605	7.38	2.79
Combined Resid/Bus	7,489	5.63	2.13
SME<70kVA	57,006	5.69	2.15
SME>70kVA	4,918	117.80	44.51
LEU>7MW	198	2,372.67	896.46

Table 3: NISEP Costs are split 80:20 between domestic and non domestic customers and NISEP is extended for one year to end on 31 March 2017

Market Sector	Average customer numbers in Oct 2015-September 2016	Average Annual Contribution towards NISEP costs for the year Oct 2015-2016 £	Average Annual Contribution towards NISEP costs for the year Oct 2016-2017 £
Domestic	787,605	8.75	9.21
Combined Resid/Bus	7,489	6.68	7.04
SME<70kVA	57,006	6.75	7.11
SME>70kVA	4,918	139.75	147.16
LEU>7MW	198	2,814.80	2,964.10

3.6 The values provided in the table above relate only to NISEP costs. However other costs are recovered in the NIE tariff through the Public Service Obligation (PSO). Other costs include:

- Legacy generation costs;
- NISEP costs
- Landbank

3.7 There is no proposal to change the manner in which any of the other costs included in the PSO will be recovered. Full details of all of the PSO costs will be published by the Utility Regulator later this year.

3 Respondents are asked to comment on the proposal to extend NISEP on the basis that costs associated with the scheme will be allocated on the basis of 80% to domestic customers and 20% to non domestic customers. Respondents are asked where possible to include any evidence that they might have to support their responses.

4. Alternative Schemes offering similar benefits to NISEP and properties targeted

Alternative Schemes

- 4.1 There are now a wide range of energy efficiency schemes, both currently available, and being planned and considered. The NISEP framework document makes it clear that NISEP funding should only be used where the energy efficiency measure would not be installed by the beneficiary without assistance from the particular NISEP scheme. The UR considers that, given the number of existing and planned energy efficiency schemes, it is likely that from 2016 the majority of households/non-domestic organisations who would have sought help from NISEP will be able to seek assistance elsewhere.
- 4.2 A report⁴ published by the Consumer Council pointed out that the number of energy efficiency initiatives currently operating in NI was not an ideal situation: “A wide range of government departments and agencies have responsibility for energy efficiency in Northern Ireland causing confusion and a disjointed approach to addressing energy efficiency.”
The report concluded:
“The evidence suggests that there are too many disparate grants and schemes without a single focus.”
- 4.3 The NISEP tries to target households, and other premises, that do not qualify for grant assistance for energy efficiency measures from any other government source. This is becoming more difficult as criteria for existing energy efficiency/fuel poverty/renewables schemes change and new initiatives are introduced. Other schemes, either existing or planned, that cover similar energy efficiency measures to the NISEP include:

⁴ Saving Energy A report into domestic energy efficiency government schemes in Northern Ireland and consumers’ views in the context of fuel poverty policy; published by the Consumer Council, December 2013

Affordable Warmth and Warm Homes Scheme

- 4.4 The Warm Homes Scheme was reviewed by the Department of Social Development (DSD) through a consultation exercise in 2014⁵. Eligibility for the Warm Homes Scheme was based on receipt of one of a list of 'passport' benefits. The NISEP Priority schemes have in most cases targeted households that fell outside the eligibility criteria for Warm Homes i.e. low income households that are not in receipt of any of the qualifying benefits. DSD's new scheme called the 'Affordable Warmth Scheme' will target low-income households, using income thresholds rather than qualifying benefits, on an area-based approach. Therefore in the future there is potential for overlap between those vulnerable households currently targeted by NISEP and those to be targeted by the Affordable Warmth Scheme.

Boiler Replacement Scheme

- 4.5 A grant of up to £1,000, dependant on total gross income, is available through DSD's Boiler Replacement Scheme to replace an inefficient boiler that is at least 15 years old. This scheme is open to owner occupiers with a household income of less than £40,000. This scheme may overlap with some NISEP schemes so the householder, or their adviser, will have to establish which scheme is most suited to the individual circumstances and provides the greatest benefits.

Support for Renewables

- 4.6 The Renewable Heat Premium Payment (RHPP) scheme was launched by DETI in May 2012 to encourage householders to install a renewable energy heating system in their home. Grant support, of varying levels, is available for installing air source heat pumps, biomass boilers, ground source or water source heat pumps and solar thermal water heaters. The RHPP scheme was replaced by the domestic Renewable Heat Incentive in October 2014.
- 4.7 When the EEL was rebranded as the NISEP in 2010-11, one of the changes made was the introduction of a ring-fenced funding category for innovative schemes which would include schemes promoting small-scale renewables. This was further refined in 2011-12 when the category was split into separate

⁵ From Fuel Poverty to Achieving Affordable Warmth, Department of Social Development February 2014
<http://www.dsdni.gov.uk/affordable-warmth-consultation.pdf>

categories for innovative schemes and renewable schemes. A number of successful renewable schemes were undertaken using NISEP funding including measures such as: solar PV, solar water heating and biomass boilers.

- 4.8 The Renewable Heat Incentive has now also been introduced for non-domestic properties and there is further financial support for renewable installations from the NI Renewables Obligation. In light of the Government support now available, the funding ring-fence for renewables has been removed and the Framework Document amended to stipulate that funding for renewable schemes will only be considered if the measures are not eligible for financial support from any other source. No renewable schemes were submitted for funding from the NISEP in 2014-15 or 2015-16.

Social Housing Schemes

- 4.10 The Northern Ireland Housing Executive runs various programmes to improve the energy efficiency of its housing stock.

HEaT Programme

- 4.11 The Office of the First Minister and Deputy First Minister has set up a project team to bring forward proposals on the design of a new comprehensive energy saving retrofit initiative, the HEaT programme. The initial focus of this proposed initiative was on domestic provision only, however recent information has indicated that it could also potentially provide a level of support to the business and community & voluntary sectors. The level of support offered to domestic consumers would be at a similar level to that currently offered through existing initiatives such as NISEP and the Boiler Replacement Scheme to encourage widespread uptake. The bulk of grant support available through the proposed HEaT programme would be directed to lower income households. Whilst there is little detail yet in the public domain regarding the development of the Household Efficiency and Thermal Improvement Programme (HEaT), there is the potential in the future that this Programme will deliver benefits currently delivered by the NISEP.

Energy Efficiency Obligation

- 4.12 Article 7 of the Energy Efficiency Directive⁶ (EED) requires Member States to set up an energy efficiency obligation scheme, or an alternative policy measure, to achieve a cumulative end-use energy savings target (1.5% of annual energy sales) over a seven year period from 1 January 2014 to 31 December 2020⁷. As the target applies at member state level it is for the UK as a whole, rather than a separate target for Northern Ireland. The Directive required Member States to report by 5 December 2013 on the methodology of the policy measures to be used to achieve the required energy savings. Energy efficiency savings deriving from NISEP are forecast to count towards the UK energy savings target until 2016, no additional NISEP measures are forecast to be delivered beyond 2016.
- 4.13 An energy efficiency obligation, similar to that consulted upon as part of the Energy Bill consultation, could contribute to the UK's overall Energy Efficiency Directive targets post 2016. Further information on the consultation is available on DETI's web site at the following link:
http://www.detini.gov.uk/government_response_to_public_consultation_on_the_energy_bill_-_february_2013_2.pdf

Targeting Properties

- 4.14 In the Priority domestic sector, it is increasingly difficult to achieve the energy savings forecast in the scheme submission as it becomes more difficult to find households that need the type of measures that achieve the greatest energy savings. It is not possible to know at the scheme development stage exactly what mix of measures will be required by households on the ground or who will seek help from the scheme. There is a general trend that the measures actually being installed are delivering lower energy savings e.g. there are more top-up rather than full loft insulation jobs and fewer cavity wall measures being installed in the schemes providing 'whole house solutions'. There are also fewer houses with no existing central heating systems and more heating

⁶ Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC.

⁷ Note Member States is taken to mean the UK as a whole. Therefore Northern Ireland does not have an individual obligation to deliver 1.5% per annum energy savings.

replacements are from old or broken oil to new gas or oil.

- 4.15 The most recent Northern Ireland Housing Condition Survey, undertaken by the Housing Executive in 2011, indicates that:
- 99% of homes have full central heating (oil 67.8%, gas 16.7%, other 14.1%);
 - 71% have full wall insulation and 6% partial;
 - 96% have some loft insulation, although over half could be topped up.
- 4.16 Although a few of the NISEP schemes have people on the ground pro-actively seeking out households that would be eligible for measures, in general NISEP schemes rely on self-referrals from householders. The DSD consultation paper on a scheme to replace 'Warm Homes' points to fuel poverty research that suggests those households most in need of assistance do not self refer to schemes and that area-based approaches are more effective in targeting resources where they are most needed. Therefore, the new 'Affordable Warmth' scheme that DSD are proposing takes a predominantly area-based approach where all homes within a targeted area will be surveyed and the householder encouraged to participate in the scheme. The NISEP is unlikely to facilitate schemes that deliver this type of area-based approach.
- 4.17 Although 20% of the funding is ring-fenced for Non-priority schemes (both Non-priority domestic and non-domestic), over recent years commercial schemes have struggled to spend all the funding allocated to them. Typically, non-domestic schemes provide 20% of the cost of installing a particular measure and, despite the best efforts of Primary Bidders to market their schemes, businesses and commercial enterprises have not had the capital available to fund the remaining 80% of the cost of the measure. Therefore in the last few years, less than 20% of the overall funding spent has been on Non-priority schemes. (Note: any under-spend is added to the funding available in the next year and for the final year any under-spend will be returned to customers.)

5. Achievements of the EEL/NISEP and the future of NISEP

Achievements

5.1 Since 1997-98 the EEL/NISEP has made a significant contribution to energy efficiency in homes and commercial premises across NI. The table in Appendix 1 shows the lifetime energy savings, carbon savings and gross customer financial benefits achieved each year up to 2013-14 from the measures installed. The summary statistics for 1997-98 to 2013-14 are:

EEL/NISEP funding spent:	£72,514,817
Lifetime energy savings	7,737 GWh
Lifetime carbon savings:	1,651,119 tonnes
Gross Customer Benefits:	£665,526,071

5.2 As the EEL/NISEP is an energy efficiency initiative, the main performance indicators to measure the success of the programme are those above i.e. energy and carbon savings and customer benefits. However as already stated, 80% of the funding since 2002/03 has been directed to schemes that target Priority/vulnerable households at risk of fuel poverty. Due to the number of enquiries received regarding the number and type of measures being installed in vulnerable homes, the NISEP Programme Administrator was asked to collate and report on this type of information from 2010-11 onwards. The number and type of installations per year for priority households, 2010-11 to 2013-14, are set out in the table in Appendix 2. The summary statistics for the main types of measure are:

Loft insulation	23,054
Cavity wall insulation	6,587
Hot water cylinder jackets	6,163
Heating systems/boiler replacement	6,995
Energy efficient light bulbs	89,875

Future of the NISEP

- 5.4 The UR's original commitment to the NISEP was to operate the programme until 2012. However, since 2012 the Programme has been rolled forward on a yearly basis until March 2016 at the latest, to avoid a gap in energy efficiency provision in Northern Ireland while the Energy Bill provisions on energy efficiency are being considered.
- 5.5 The EEL/NISEP has, since its inception in 1997, made a valuable contribution to energy efficiency and the reduction of carbon emissions in Northern Ireland as well as assisting vulnerable customers.
- 5.6 The UR notes the range of schemes already in place or in the process of being planned. The benefits of these schemes are of a similar nature to the benefits of the NISEP and they have the potential to target those benefits to similar households and other premises. Therefore, UR considers that continuing the NISEP in its current format beyond 2017 would have limited advantages and would potentially create confusion with the alternative schemes.
- 5.7 The UR notes Recommendation 11 in the Committee for Enterprise, Trade and Investment's "Report on the Committee's Review into Electricity"⁸ which, as quoted in Section 4, said that the Executive should plan a further programme to promote and improve energy efficiency for vulnerable customers before the NISEP comes to an end. It was recommended that the Executive should explore how such a scheme could be funded through means other than the electricity tariff
- 5.8 Given the potential for overlap with alternative schemes and sources of funding, the UR considers that any extension beyond 31 March 2017 is unlikely and would cause a number of potential difficulties.

⁸<http://www.niassembly.gov.uk/assembly-business/committees/enterprise-trade-and-investment/reports/report-on-the-committees-review-into-electricity-policy-part-2-electricity-pricing/>

Appendix 1: Savings and Benefits from the EEL/NISEP

Year	Funding Spent	Lifetime Energy Savings (GWh)	Lifetime Carbon Savings (tonnes)	Gross Customer Benefits
<u>EEL</u>				
1997/98	£ 664,351.00	54.04	13,417	£ 3,675,450.00
1998/99	£ 669,491.00	78.19	20,755	£ 4,892,333.00
1999/00	£ 1,003,068.00	122.98	31,080	£ 7,480,531.00
2000/01	£ 1,365,227.00	187.86	57,272	£ 11,437,024.00
2001/02	£ 1,433,495.00	188.90	57,335	£ 13,264,634.00
2002/03	£ 3,037,186.00	450.78	92,228	£ 25,433,246.00
2003/04	£ 3,938,905.00	449.11	84,614	£ 17,221,109.00
2004/05	£ 3,771,339.00	382.44	98,557	£ 20,999,203.00
2005/06	£ 4,802,853.00	481.03	132,010	£ 30,109,726.00
2006/07	£ 5,006,756.00	615.36	132,087	£ 38,811,902.00
2007/08	£ 5,629,739.00	576.65	122,368	£ 55,222,786.00
2008/09	£ 5,754,873.00	717.66	149,037	£ 58,501,419.00
2009/10	£ 5,589,748.00	708.92	142,855	£ 61,760,474.00
<u>NISEP</u>				
2010/11	£ 6,197,318.00	607.77	123,457	£ 56,345,455.00
2011/12	£ 7,882,252.00	707.40	135,819	£ 72,410,175.00
2012/13	£ 7,836,472.00	644.38	117,112	£ 84,472,229.00
2013/14	£ 7,931,744.00	764.27	141,116	£ 103,488,375.00
Total				
EEL/NISEP	£ 72,514,817.00	7,737.73	1,651,119	£ 665,526,071.00

Appendix 2: Measures Installed by the NISEP

	2010/11	2011/12	2012/13	2013/14	Total
<u>Priority Domestic Schemes</u>					
Heating systems/boiler replacement	1,389	1,704	2,246	1,656	6,995
Loft Insulation	7,383	5,734	5,343	4,594	23,054
Cavity Wall Insulation	2,654	1,534	1,187	1,212	6,587
Solid Wall Insulation		60			60
Hot Water Cylinder Jacket	2,135	1,625	1,419	984	6,163
Energy Efficient Light Bulbs	22,928	23,643	23,908	19,396	89,875
Energy Monitors		665	1,061	598	2,324
Radiator Panels				4,322	4,322
Standby Controls	1,000				1,000
Standby Meters		67			67
Water Widgets	76		25,000		25,076
<u>Non-priority Domestic Schemes</u>					
Heating systems/boiler replacement		17		0	17
Loft Insulation	129	565	199	289	1,182
Cavity Wall Insulation	317	1,243	516	742	2,818
Solid Wall Insulation		7			7
Hot Water Cylinder Jacket		2			2
Climote				107	107
Solar Water Heating		348			348
Solar PV		265	328	368	961
<u>Non-priority Commercial Schemes</u>					
Heating systems/boiler replacement	50	48			98
Loft Insulation					0
Cavity Wall Insulation					0
Energy Monitors			4	19	23
Variable Speed Drives	34	47	37	77	195
Variable Speed Compressors	9	20	18	18	65
Energy Efficient Lighting	9,524	17,747	17,951	20,565	65,787
Hysave Liquid Pump Amplification	1	4		2	7
Refridgeration Package		1			1
Heat Recovery			2	4	6
Sonic Leak Detection Surveys	65				65
Timeswitches			8		8
Solar Water Heating			2		2
Solar PV				56	56