

Call for Evidence Response Template

In order to respond to this Call for Evidence, please complete the tables below.

You only need to answer the questions that are most relevant and important to you.

Respondent details	
Company / Organisation	The Consumer Council for Northern Ireland
Type of organisation / Sector	Consumer representative body
Address	Seatem House, 28-32 Alfred Street, Belfast, BT2 8EN
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Response to Call for Evidence

Drivers of change

Topic: Drivers of change

Question number: 1

Question: Which of the key drivers outlined present the largest impact for you or your organisation?

Response:

While all five key drivers outlined will impact upon consumers, the increasing popularity of electric vehicles (EVs) and digitalisation and data usage are likely to directly impact the largest number of consumers, particularly in the short term and if smart meters were to be introduced.

Growth in EV take-up could drive distributed energy generation and the use of EVs for battery storage by some consumers.

For Topic: Drivers of change

Question number: 2

Question: In addition to the key drivers mentioned (distributed energy resources; increasing popularity of electric vehicles; development of battery technology; the emerging market for energy aggregators; and digitisation and data usage), are there any others that you consider to be a significant factor in affecting future electricity use?

Response:

The increase of home or agile working regimes was initially a result of the COVID-19 pandemic. However, it appears this could become a permanent work pattern for a large proportion of the workforce, with a knock-on impact to domestic energy consumption. Coupled with this, domestic demand could increase as a result of a further growth in the use of home technology and smart systems; the internet of things. The roll out of heat pumps may also impact electricity demand.

Topic: Drivers of change

Question number: 3

Question: Do you consider that economy and efficiency should continue to be key factors in the Utility Regulators role in the transition process?

Response:

To avoid detriment to consumers, particularly vulnerable consumers, consideration must be given to the impact of the energy transition on how costs, including transmission, network, environmental and innovation costs, are recovered. This will necessitate a focus on consumer protection.

Distribution use of system (DUoS) tariffs are designed to recover the distribution network costs from consumers based on how they contribute to network costs and are primarily volume-based. If decentralisation results in some consumers utilising the electricity grid for micro power generation only, rather than consumption, apportionment of costs in this manner will cease to be universal.

As a result, those continuing to consume energy using traditional means could be burdened with an unfair proportion of the costs. This is of significant importance as those continuing to consume energy via traditional means are more likely to be vulnerable consumers.

Therefore, it is essential that in making changes to tariff arrangements there must be a focus on ensuring fairness for all consumers while also protecting vulnerable consumers.

Topic: Drivers of change**Question number:** 4**Question:** Which of the key drivers outlined do you think present the largest impact for Northern Ireland specifically – and why?**Response:**

Digitisation and data usage stands to have the largest impact on Northern Ireland consumers given universal adoption of smart meters is likely to be required to facilitate the energy transition.

Smart meters would provide consumers the ability to understand and manage their energy demand in a significantly more consumer friendly manner than pre-payment meters, where demand is sometimes managed via self-disconnection.

However, smart meter rollout would also present challenges for consumers, particularly vulnerable consumers. Consumers will require information, technical advice and support to avail of the benefits, and adapt to the use, of smart meters.

The rollout of smart meters will require Northern Ireland policy makers, regulators and industry to take lessons from their rollout in Great Britain and the Republic of Ireland. The National Energy Action report Maximising the [Smart Meter Roll Out for Prepayment Customers](#) provides a summary of benefits to both the consumer and supplier at a macro level.

Topic: Drivers of change**Question number:** 5**Question:** How important and valuable do you consider energy aggregators to be?

Response:

Energy aggregators have the potential to ensure consumers reap the benefits of flexibility. However, we anticipate that consumer awareness of energy aggregators is very low and consumer behavioural change would be required for mass uptake of their services. In addition, energy aggregator activity in the market would raise consumer protection considerations including ensuring:

- energy savings claims are realistic and verifiable,
- aggregators' offerings are appropriate for consumers consumption profiles,
- offers and contracts are clear and transparent,
- consumers do not bear the cost of payments/compensations between market operators, and
- The overall benefits from the use of flexible electricity consumption in terms of lower system costs must be passed to all consumers through lower network costs.

Topic: Drivers of change**Question number:** 6**Question:** In what ways could the electricity market in Northern Ireland be changed to make better use of energy aggregators?**Response:**

N/A

Topic: Drivers of change**Question number:** 7**Question:** Do you think that digital technology, which offers customers live information on consumption and bills, is necessary for tariffs to provide adequate pricing signals?

Response:

Smart meter rollout is essential to facilitate demand management and the use of low carbon technologies. To be effective, dynamic or time of use tariffs will require smart metering technology and more accurate energy systems data. However, as it will prove more difficult to manage demand without smart technology it is important that support and protection is in place for reluctant or vulnerable adaptors during any future transition to smart meters and/or new tariff arrangements.

Customers must be provided with live information on consumption, unit costs and related charges if they are to be enabled to uptake new technologies and take ownership of their energy demand reduction.

It is essential that adequate scrutiny is in place to prevent consumer data being harvested by industry players seeking to manipulate and influence consumer behaviours. Government intervention is pushing for data-driven technologies and services to offer better solutions to improve consumer outcomes. This could provide more flexibility, control, and personalisation to consumers. For example, energy suppliers may seek to replicate initiatives as akin to open banking, offering customers a single view of their finances and making it easier to shop around.

Regulation and independent scrutiny must match the pace of innovation in digital markets with public policy ensuring all consumers are included and protected. There will need to be very clear supporting information for consumers to help them understand what happens to their data and how it is protected.

Topic: Drivers of change**Question number:** 8**Question:** Is there existing technology in NI that could be used enable more efficient transition?**Response:**

We note that the Call for Evidence suggests keypad meters may be sufficient to enable the implementation of new tariff options and that this could be more economic for consumers.

However, we note that this would still incur the cost of transferring the 50% of customers using prepayment meters to keypad meters as not doing so would result in a two-tier system negatively impacting consumers with pre-payment meters, who are often on lower incomes and more at risk of vulnerability.

Additionally, pre-payment meters may not provide customers with adequate live information on consumption, unit costs and related charges to facilitate behavioural change. There is already a need for accessible in-home displays and we refer to the recommendations within the NEA report cited in Question 4.

Therefore, it is essential that in considering technology options there must be a focus on ensuring fairness for all consumers and protecting vulnerable consumers.

Topic: Drivers of change	Question number: 9	Question: If changes were made to tariffs, should this wait until all customers have access to up-to-date technology that allows the change to have maximum impact?
<p>Response:</p> <p>Fairness is important in this stage of any future process. For example, would it be fair if some but not all consumers have meters that better enable them to avail of social and environmental benefits and/or benefit from better tariffs.</p> <p>One part of tackling this challenge is by ensuring all customers receive appropriate information and education as to the opportunities that will become available to them at the outset of a tariff change process.</p> <p>A top priority must be to manage the procedure of reaching those consumers who are likely to need the most help and encouragement in adapting to new tariff structures.</p>		
Tariff reform options		
Topic: Tariff reform options	Question number: 10	Question: Different tariff structures place emphasis on different factors such as cost-reflectivity, managing peak demand, simplicity, reducing price volatility, and providing more information to customers. Which objectives do you think tariffs should be designed to prioritise?
<p>Response:</p> <p>The Consumer Council recognise merits in each of these options. Relative simplicity is important to assist consumers, while a reduction in price volatility would also benefit all consumers but particularly those in vulnerable situations due to low incomes.</p> <p>It is important that future tariffs balance the need for cost reflectivity in both electricity consumption and use of network capacity. As micro-generation increases it will be important to consider how network capacity costs are recouped fairly.</p> <p>The Consumer Council also recognise the challenge of managing peak demand as EV take-up increases and if home heating practices change.</p>		
Topic: Tariff reform options	Question number: 11	Question: With regard to non-discrimination and cost reflectivity, are there deficiencies in the current tariff system which could be remediated?

Response:

Individuals who are micro-generating and selling electricity may not be adequately contributing to overall network capacity costs. While renewable micro-generation should be encouraged as a means to reduce energy demand it may also lead to grid reinforcement requirements. It is therefore important that a fair balance of cost sharing is developed for this scenario.

Topic: Tariff reform options

Question number: 12

Question: Do you think there are factors other than price that effectively incentivise consumers to change their behaviour? Which of these (including price) would you expect to be the most powerful incentive?

Response:

Consumer Council Research on attitudes to the energy transition shows that a large proportion of the sample are concerned about climate change and want to do their bit for the energy transition. Barriers cited during the research include cost, disruption and getting independent reliable advice and information. The public narrative is gradually changing and alongside education, training and advice, there should be shared messaging encouraging consumers to reduce their carbon emissions.

Topic: Tariff reform options

Question number: 13

Question: Do you think that tariffs should be more tailored to individuals' energy usage, or be more a reflection of overall demand?

Response:

The two options are not mutually exclusive if tailoring tariffs to individuals' energy usage aids demand reduction. However, this will only occur if a high level of consumer information, education and support is provided to help consumers reduce their demand. Demand reduction can help individuals struggling to afford energy and those interested in reducing their environmental impact.

Topic: Tariff reform

Question number: 14

Question: Because there are fixed costs to using the grid, costs are not

options		exactly proportionate to consumption. Do you think that tariffs should be more reflective of the service that is being provided through the network connection?
<p>Response:</p> <p>As noted in our response to Question 11 we think tariffs should reflect the full service provided through network connection because as the practice of micro-generation increases, those continuing to consume energy using traditional means could be burdened with an unfair proportion of the costs. This is of significant importance as those continuing to consume energy via traditional means are more likely to be vulnerable consumers.</p> <p>We note that mobile phone contracts are now divided into two to ensure consumers understand they are paying for two specific services, the finance costs of the physical handset, and the phone network charges. A similar principle may be successful in energy bills whereby the consumer would be billed separately for energy used and for transmission, distribution and other charges.</p>		
<p>Topic: Tariff reform options</p>	<p>Question number: 15</p>	<p>Question: To what extent do you think tariff structures should rely on new modern technology and data capabilities?</p>
<p>Response:</p> <p>New tariff structures will require modern technology and data capabilities to prove most effective. Their introduction will necessitate robust consumer protection needs for those who struggle to adapt to the use of new technologies.</p> <p>Careful consideration must be given to protecting those who will not want to convert to using modern technology or will be incapable of working such technologies.</p>		
<p>Approaches to managing the transition</p>		
<p>Topic: Approaches to managing the transition</p>	<p>Question number: 16</p>	<p>Question: Would you expect tariff reforms to be introduced quickly over a short time period, or to be eased in gradually?</p>

Response:

Reforms must be eased in gradually as we need time to educate and inform consumers to get used to these.

The Consumer Council would like the Regulator to explore non technology related social tariffs in the short term due to the impact of Covid-19, the significant increase in wholesale energy prices, the end of the furlough scheme, food price rises, inflation and the removal of the universal credit uplift.

Topic: Approaches to managing the transition**Question number:** 17**Question:** Would you expect tariff reforms to be applied to all consumers, or only certain subgroups or a certain proportion?**Response:**

Fairness is essential in tariff reform rollout. If certain sub-groups of consumers are being targeted during reforms it is essential that there is a clear rationale for doing so and that any potential determinant to other consumer groups is considered. To avoid consumer detriment there is a need to focus upon the protection of consumers in vulnerable circumstances.

Topic: Approaches to managing the transition**Question number:** 18**Question:** Do you have views on whether new tariff structures should be opt-in, opt-out, or mandatory?

Response:

The tariff structures should only be mandatory when everyone has access to the technology, information and/or support they require to avail of new structures and the whole infrastructure is properly established and functioning correctly.

Topic: Approaches to managing the transition**Question number:** 19**Question:** In addition to (i) opt-in / opt-out, (ii) offering a choice from a range, or (iii) gradually phasing in a new system, are there other methods of offering new tariffs to customers that should be considered?**Response:**

We reiterate and support paragraph 4.32 of the document which considers two factors (i) monitoring the impact of reforms and (ii) ensuring consumers are engaged throughout the process as key issues to managing the transition.

Topic: Approaches to managing the transition**Question number:** 20**Question:** Do you think consumers would respond positively, if offered a range of options, or should one type of tariff be used for everyone?

Response:

Some consumers would respond positively especially if well informed and educated about the range of tariffs. However, without this information, education, and support a cohort of potentially vulnerable consumers could be left at a disadvantage, which could lead to unfairness.

A “one size fits all” approach will not work, as households consume energy in many different ways. A range of easily understood options would be received more positively. We recommend commissioning research first to understand what range of options that consumers would prefer.

Topic: Approaches to managing the transition**Question number:** 21**Question:** Do you have views on whether consumers could modify their behaviour, if the incentive to do so was right? Or are usage patterns largely fixed by factors outside of their control?**Response:**

While usage patterns are normally consistent with external factors such as seasonal weather, consumers could potentially modify aspects of their behaviour; particularly demand and time of energy usage if properly educated, supported, and incentivised. For example, consumers could be encouraged to reduce their individual demand during times of peak grid demand by delaying laundry or EV charging. Certain practices may be more difficult to change such as energy use related to meal times. In addition, demand changes resultant from domestic consumers working from home may continue.

Energy efficiency is one of the key themes of the DfE Energy Strategy and more education is required to inform and empower consumers to modify their energy consumption behaviour. All homes should have energy efficiency lighting and a national rollout of energy efficiency measures are required so that every home has industry standard levels of cavity wall insulation / solid wall insulation / loft insulation and draft proofing measures to keep the heat in our homes for as long as possible.

Topic: Approaches to managing the transition**Question number:** 22**Question:** There are a range of options for monitoring the impact of reforms, such as surveys, analysis of complaints, billing questions, and usage monitoring analysis. Which do you think would be most effective?

Response:

All of the above; high levels of consumer research and direct consumer engagement are very important to ensure understanding of consumer behaviour. This will enable provision of the information, education and support required to encourage behavioural change.

Topic: Approaches to managing the transition**Question number:** 23**Question:** Should consumers be protected from large bill increases caused by the reforms even if this needs to be funded by a cost elsewhere? If so, how long should the protections be in place for?**Response:**

Affordability must be a key priority and large bill increases should be avoided and projects must be carefully managed to minimise the cost impact to consumers.

Where projects will benefit both present and future consumers, consideration could be given to funding projects in the manner of price controls, with the costs recovered over the long term.

If energy bills increase significantly there is duty of care to ensure that all consumers, especially those from vulnerable households, are able to continue heating and lighting their homes to a reasonable standard.

Customer engagement and market understanding**Topic:** Customer engagement**Question number:** 24**Question:** How engaged do you think consumers currently are on their energy usage and tariffs? For example, are they more, less, or adequately engaged relative to what would be expected?

Response:

There is still a low rate of consumer engagement relating to energy usage and tariffs. However, cost and savings was a recurring theme within focus groups highlighted in our qualitative research 'Consumer attitudes to energy transition issues'.

Since the 2018 Super Complaint to the Competition and Markets Authority there has been more industry focus on disengagement including the Utility Regulator's recent 'Review of the Northern Ireland Energy Retail Market: State of the Market' Report in March 2021 and previous Consumer Insight Tracker. The UR's own quantitative report 'Energy Strategy Consumer Research' revealed only 3% of consumers reached out to their suppliers for help during the pandemic, albeit many did not need to.

Our consumer insight report in 2020 showed that consumers shopping around for energy dropped from 30% to 24% for gas and electricity; and for home heating oil from 40% to 30% showing a significant decrease in switching or sourcing the best deal.

Topic: Customer engagement

Question number: 25

Question: Would you identify particular demographics as having lower engagement? If so, why is this the case? Is it more due their own unwillingness to engage, or that the market is not very accessible?

Response:

Various quantitative and qualitative research commissioned by CCNI would suggest that those with relatively lower levels of educational attainment would engage less. The reasons for this may be a combination of lacking the capacity to do so and the market being inaccessible due to the complexities of the various tariff options.

Our 2021 qualitative research *Northern Ireland consumer attitudes to energy transition issues* revealed that most consumers did not feel it was imperative for them to take immediate steps towards greater energy efficiency; which is significant in regard to smart technology as it indicates an element of inertia across consumers.

Specifically in relation to new technologies, the report found building trust in new technologies was seen as vital if consumers are to engage fully, particularly trust that the technologies are fit for purpose and work as they claim they do. These lessons can also be applied to new tariff regimes. Some quotes from consumers illustrate this:

"You need to build trust that these technologies work and actually do save you money in the long run."

"People don't like change. Increase trust and encourage people to engage with change."

"I think leading by example might help. If we had local organisations and businesses making that work."

Topic: Customer engagement	Question number: 26	Question: Do you have views on best method to engage customers more?
<p>Response:</p> <p>It is important to have a strong understanding of consumer attitudes and to undertake continuous and extensive consumer engagement. With the information garnered from these approaches success can be achieved through active engagement, simple messaging and support structures.</p> <p>The Consumer Council recommends focus on the development of a comprehensive and rolling programme of consumer engagement to facilitate the development of legislation, regulation and policy decisions that best serve consumer needs across the whole aspect of the energy transition; this includes changes to tariff structures.</p>		
Topic: Customer engagement	Question number: 27	Question: Should unengaged customers be encouraged to increase their understanding of the market, or can they be trusted to opt-in?
<p>Response:</p> <p>Customers need to be empowered and this includes by undertaking research to understand why they are unengaged in the first place.</p> <p>Lessons can be taken from other largescale changes to consumers behaviour and lifestyle, for example:</p> <ul style="list-style-type: none"> • In 2003 the Welfare reform direct payments meant that millions of consumers across the UK in receipt of state benefits had to change from giro cheques to universal banking and post office accounts. It should be noted that very vulnerable consumers were provided with alternative arrangements. • In Northern Ireland households have increased recycling by 50% through simple messaging and engagement. <p>Similarly with tariff reform, achieving a ‘step-change’ in adoption will require better knowledge of drivers, and extrapolating the evidence from consumer research into successful education and intervention. Understanding the factors that influence disengagement will help identify opportunities for progress. There is no single solution but it will need to be a mix of advice, engagement and for the very vulnerable, one-to-one assistance.</p>		
Topic: Customer engagement	Question number: 28	Question: At what stage in the reform process would it be optimal to engage consumers and (how) should this vary over time?

Response:

Consumer engagement must happen throughout the process and the research should start now. The Consumer Council has already been involved in a number of research reports including our continuing consumer insight reports. More recently both the Utility Regulator and Consumer Council have gathered consumer views on the energy transition which provides valuable evidence on attitudes to change. It is important to initiate more nuanced research specifically on tariff reform. Indicative evidence suggests there are very mixed views on the concept of 'smart' technologies and data usage therefore it is important to gather more focussed evidence as soon as possible.

Other challenges and risks		
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Topic: Other challenges and risks	Question number: 29	Question: Are there any unique features of the Northern Ireland electricity distribution market that are particularly important to account for in the transition?
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Response:

The Ulster University report '[Smart Meters and Flexible Demand in Northern Ireland](#)' breaks down a number of characteristics including a peaky demand and a low population but disproportionately high level of low voltage network. Additionally, while we have good wind generation capability there is no current mechanism to utilise surplus wind energy.

- Northern Ireland also has specific areas more vulnerable to interruptions within the worst served areas.
- Current heavy oil reliance (68%) and high levels of fuel poverty (22%).
- Our small population could prove useful for subsequent roll-out of tariff reforms and/or smart meters.

Topic: Other challenges and risks	Question number: 30	Question: There are a number of examples of tariff reform that have taken place in other countries. Are there specific examples that can be closely compared to the market in Northern Ireland? How important is it that the adopted reform approach is one that has been tried and tested elsewhere?
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Response:

The Consumer Council strongly advocates tried and tested solutions that benefit the consumers and we would encourage the Utility Regulator to undertake further research in this area. Ideally reforms introduced in Northern Ireland will have been tried elsewhere or piloted. However, given we recognise bespoke solutions may be required to best serve Northern Ireland consumers and our energy infrastructure.

Any other comments**Please provide any other comments:**

As the Call for Evidence highlights, the distribution tariff is a smaller proportion of the entire energy bill and total costs are more likely to be of interest to consumers. There is more emphasis on how much they will have to pay as a whole each month. The Consumer Council is strongly in favour of a system that is equitable for the consumer and free from imbalanced distributional costs. It is essential that changes are made to tariffing arrangements to ensure future network costs are charged in a manner that is fair to all customers. Whichever tariff or combination of tariffs are introduced, fairness and consumer protection must be prioritised.

How to respond

Representations may be made on or before 5pm on 16 August 2021. Responses can be sent in writing to or by emailing:

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and

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Our preference is for responses to be submitted by e-mail.

Confidentiality

Please note that we intend to publish all responses unless marked confidential. While respondents may wish to identify some aspects of their responses as confidential, we request that non-confidential versions are also provided, or that the confidential information is provided in a separate annex.

As a public body and non-ministerial government department, the Utility Regulator is required to comply with the Freedom of Information Act ("FOIA"). The effect of FOIA may be that certain recorded information contained in consultation responses is required to be put into the public domain. Hence it is now possible that all responses made to consultations will be discoverable under FOIA, even if respondents ask us to treat responses as confidential. It is therefore important that respondents take account of this. In particular, if asking the Utility Regulator to treat responses as confidential, respondents should specify why they consider the information in question should be treated as such.

The Utility Regulator has published a privacy notice for consumers and stakeholders which sets out the approach to data retention in respect of consultations. This can be found at <https://www.uregni.gov.uk/privacy-notice> or, alternatively, a copy can be obtained by calling 028 9031 1575 or by email at info@uregni.gov.uk.

This paper is available in alternative formats such as audio, Braille etc. If an alternative format is required, please contact the office of the Utility Regulator to request.