



Action for Warm Homes
Northern Ireland

National Energy Action NI
Response to the
Call for Evidence - Electricity Connection Policy
Framework Review.

October 2023



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About NEA

National Energy Action (NEA) is the national fuel poverty charity working to secure affordable warmth for disadvantaged energy consumers. NEA's strategic aims include influencing and increasing strategic action against fuel poverty; developing and progressing solutions to improve access to energy efficiency products, advice and fuel poverty related services in UK households and enhancing knowledge and understanding of energy efficiency and fuel poverty.

NEA seeks to meet these aims through a wide range of activities including policy analysis and development to inform our campaigning work; rational and constructive dialogue with decision-makers including regulatory and consumer protection bodies, relevant government departments, the energy industry, local and national government; and we develop practical initiatives to test and demonstrate the type of energy efficiency programmes required to deliver affordable warmth.

NEA is primarily concerned with energy policy whilst maintaining a watching brief on social justice policies, including income inequalities and levels of poverty in Northern Ireland.

Protecting vulnerable consumers is our key aim so we work both reactively and proactively to ensure policy makers and regulators recognise the needs of the vulnerable in its widest sense. With tighter household budgets, it is more important than ever that consumers are getting the best deal. Paying for domestic energy makes up a substantial portion of total household expenditure, so it is of specific concern to us but is often relegated in the ever-busy policy environment.

Response

We welcome the opportunity to respond to the Call for Evidence on the '*Electricity Connection Policy Framework Review*'.

Unfortunately, many households in Northern Ireland face the prospects of cold homes, especially during the winter months. Based on the 2016 House Condition Survey¹, Northern Ireland has a rate of fuel poverty at 22%. It was also estimated that there are approximately 43,800 households in extreme fuel poverty, which means they need to spend over 15% of their total income to heat their homes. However, these statistics are considered by many to be out of date and not reflective of the true hardship facing our communities. Seeking to get a better understanding of the real impacts of rising energy prices on NI households, NEA NI undertook an NI-wide representative survey in June 2022². The findings of this study were stark, with the results showing that at least 45% of households were spending more than 10% of their total household income on their energy costs.

¹ Northern Ireland Housing Executive (2016) House condition survey: <https://www.nihe.gov.uk/Documents/Research/HCS-2016-Main-Reports/HCS-Main-Report-2016.aspx>

² <https://www.nea.org.uk/publications/lucidtalk-nea-ni-ni-wide-omnibus-poll-project/>



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The study also found that soaring energy prices have led to a rise in dangerous ‘coping’ mechanisms, as households look to manage rising costs on ever tightening budgets. When asked about how they were changing their behaviours in response to rising energy costs, 80% of households admitted to rationing the use of their central heating in an effort to reduce costs. More worryingly, 1 in 10 households admitted to skipping meals in order to ensure they had enough money to pay for their energy. This means that choosing between heating and eating is very much a reality for around 100,000 homes across Northern Ireland.

These ‘coping’ behaviours can put households at an increased risk of experiencing detrimental impacts to their health and wellbeing. These impacts are already being felt by many; 29% of respondents to NEA NI’s survey stated that they had experienced a direct negative impact on their health and 75% of respondents admitted to being ‘stressed, anxious or worried’ about how they would be able to cover the cost of their energy bills during the winter. Households across the region are worried about how they will be able to keep their homes warm and safe.

Energy prices underwent an unprecedented rise during 2021/22, and consumer bills remain challengingly high. We know that Northern Ireland continues to have amongst the lowest levels of household income across the UK and the highest weekly household expenditure on energy of any UK region. Taken in conjunction with the challenging economic conditions of rising inflation rates and the high cost of essentials including food prices, many families continue to face challenges with meeting their energy costs.

In general, NEA believe there is a need to ensure that existing consumer protections (across all utilities) are maintained and strengthened to support lower income and vulnerable households during these challenging times.

NEA recognise the need to increase investment in our electricity network and in particular the additional reinforcement costs that will be required if Northern Ireland is going to successfully decarbonise our energy system. We are aware that there have been calls to move away from the current policy whereby the connecting party pays for the connection of their assets and any reinforcement costs, toward a policy where additional reinforcement costs would be socialised amongst all electricity consumers.

Whilst in general we support the socialisation of energy costs; it is our view that is this particular policy change could risk vulnerable and low-income households being disadvantaged, and as a consequence mean they face a greater risk of falling into fuel poverty.

Under a socialised model all electricity consumers would pay for a higher proportion of reinforcement costs via their electricity bills than they do currently. Whilst this is often a fair way to cover the cost of our energy system, in the current context of challengingly high consumer bills and soaring rates of fuel poverty, any additional cost to consumers runs the risk of pushing vulnerable and low-income households beyond the limits of what they can reasonably afford.



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It must also be recognised that many vulnerable and low-income households will not be able to benefit from the new low carbon technologies (heat pumps, EVs etc.) that would require additional reinforcement of their connection point. This means that under a socialised module there is a chance that lower income and vulnerable households will be paying for households and businesses that might otherwise be considered as 'able to pay' to benefit, whilst not receiving any direct benefits themselves. It is our view that this could not be considered as a fair way to assign costs.

However, we do recognise the importance of supporting the transition to a lower carbon economy at a scale and pace to mitigate the impacts of climate change. There is therefore a need for the Department for Economy to play a leading role in establishing a clear policy direction, backed up by suitable legislative targets.

A socialised module could still work and be considered fair if adjustments are made to ensure the most vulnerable households are exempt from paying additional costs, or at the minimum, are charged under a progressive structure whereby the percentage of the socialised cost they pay is relative to the tangible benefit their household will receive.

Protecting certain targeted vulnerable demographics through the development of innovative approaches to revenue raising will require new legislation and the review and updating of existing regulations including the electricity (Connection Charges) Regulations (Northern Ireland) 1992 which have not been updated since their introduction in 1992. This will of course require a functioning Northern Ireland Assembly and an Economy Minister. The Department of Economy should be proactive and look to review as much of this legislation as possible to ensure that things can be progressed quickly once the institutions are up and running again.

We thank you for the opportunity to respond to you with these comments.

Response submitted by:

Jamie Miller
Policy Officer
National Energy Action NI
1 College House
Citylink Business Park
Albert Street
Belfast
BT12 4HQ