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energy saving trust

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12 April 2010

Dear Elena,

**Assisting with Affordability Concerns for Vulnerable Energy Consumers
Consultation Response by Energy Saving Trust**

Thank you for giving the Energy Saving Trust the opportunity to respond to the above consultation, please find enclosed a detailed response.

If you require any further information or would like to discuss the Energy Saving Trust response in further detail please do not hesitate to contact me on 028 9072 6006.

Meanwhile I trust that you find our response helpful.

Yours sincerely

Noel Williams
Head of Energy Saving Trust
Northern Ireland

Overview

This is the response of Energy Saving Trust to the Assisting with Affordability Concerns for Vulnerable Energy Consumers Consultation Paper issued in January 2010. This response should not be taken as representing the views of individual Energy Saving Trust members.

Energy Saving Trust has offices in each of the nations in the UK, and has had a dedicated office in NI since 1996. We are the UK's (and NI's) leading organisation working through partnerships towards the sustainable and efficient use of energy by households and communities. We operate a number of programmes (modified for local conditions) in NI which play a key role in delivering the UK and NI's climate change objectives. This includes the NI Energy Saving Trust advice centre (ESTac), which provides a 'One-Stop-Shop' to provide advice and support on energy efficiency, renewables and transport for householders and consumers in NI.

We commend the Utility Regulator for issuing the consultation paper to facilitate discussion on this issue. With approximately 50% of households in Northern Ireland in fuel poverty, co-ordinated action is clearly needed to address the issue.

We welcome the opportunity to respond to this consultation and have provided specific comments in relation to the questions in the consultation paper. We do have a number of overarching comments that we hope you find of use:

- Fuel poverty is caused by a combination of low income, increasing fuel prices and poor energy efficiency. Addressing fuel poverty through a system of social tariffs can relieve the symptoms and has an important role to play but it will not resolve the problem on a long term basis.
- Improving energy efficiency can be a long term way of addressing fuel poverty that need not significantly increase prices for non vulnerable customers.
- Investment in energy efficiency is also necessary to meet climate change targets. Focusing on addressing fuel poverty through affordability concerns rather than energy efficiency will only delay inevitable expenditure.
- Directing investment to energy efficiency rather than social tariffs is more equitable as it provides a benefit for everyone by addressing fuel poverty as well as mitigating climate change and contributing to energy sustainability..
- Setting up a new scheme to address fuel poverty through social tariffs could be expensive and time consuming. Focusing funds and resources to build on existing energy efficiency programmes could deliver benefits to the fuel poor more quickly and cost effectively. This could be done through a programme which combines the resources of the Warm Homes Scheme with NISEP funding to deliver a programme similar to the Energy Assistance Package (EAP) operating in Scotland. The EAP is an integrated package aiming to address all the issues of fuel poverty through providing benefit checks, ensuring that people are on the right tariff or payment methods and assisting with energy efficiency measures. Providing tailored advice to all, the EAP has something for everyone. The EAP operates by providing a single, co-ordinated point of contact for existing provisions and so has been cost effective and quick to establish.

We would be happy to present to the Utility Regulator and interested stakeholders on how a programme similar to the EAP could be adopted in Northern Ireland and the benefits that it could bring.

Please see below our response to the specific questions in the consultation paper. We have only responded to questions that relate to the expertise of the Energy Saving Trust.

Q1 (chapter 2): Are there any additional key context issues that should be noted?

The paper is comprehensive in providing context on household incomes and heating costs in Northern Ireland. The paper also acknowledges that fuel poverty is influenced by energy costs, income levels and energy efficiency. To give full consideration to the role that social tariffs might play, context also needs to be provided for energy efficiency policy. This is important so that a holistic solution is found that utilises existing resources such as delivery infrastructure. The NI Sustainable Energy Programme is mentioned in the paper and is an important programme for both addressing fuel poverty and climate change.

Another important policy factor is developments in making renewable technology accessible. The Low Carbon Building Programme currently provides grants for renewable heat technologies however more assistance may be needed for low income consumers such as low interest loans combined with grants or renewable heat incentives.

Q2 (Chapter 3) Comments are welcome on the potential and appropriateness for an expanded statutory remit for the Utility Regulator to allow regulatory mechanisms to potentially tackle affordability issues.

For the Utility Regulator to be able to tackle affordability issues it would be most effective if the regulation of the oil industry was included within its remit. An affordability scheme which provided social tariffs for electricity is likely to have limited impact as for many consumers the majority of their energy bills will be for oil. Regulation of the oil industry may also enable it to be brought within the NI Sustainable Energy Programme so that it could contribute to energy efficiency solutions.

Q3 (Chapter 3) Comments are welcome on the suggested staged approach to affordability policy/scheme development.

No comment.

Q4 (Chapter 4) Have we identified the appropriate key Stage 1 questions / issues?

No comment.

Q5 (Chapter 4) Comments are welcome on 'scope and purpose' questions/issues. Should any policy intervention be aimed at affordable warmth in the round or at a more limited problem such as electricity affordability and anxiety about bills?

The Strategic Energy Framework consultation launched by the Department for Enterprise, Trade and Investment in July 2009 recognised the importance of demand side management in developing a sustainable energy strategy. A scheme which aimed to reduce overall energy bills may counteract demand management policy. Rather than reducing the cost of energy a focus on energy efficiency could provide

Q1

Q1

consumers with the tools to reduce their energy bills through measures such as insulation and through behavioural change.

An affordability scheme may provide a method to reduce fuel poverty for the most vulnerable of customers and so should be carefully targeted, preferably at affordable warmth, but to provide a long term solution it needs to be paired with energy efficiency measures.

Q6 (Chapter 4) Comments are welcome on the issues raised above in relation to the intended target size and scope of any intervention, size of fund required to deliver this, and impact on 'paying' customers.

The consultation paper explores a number of scenarios with up to £300 support provided to vulnerable customers. This funding will help a family out of fuel poverty for the time of the payments yet £300 could provide loft insulation top up, which could reduce fuel payments for the lifetime of the insulation.

However even with a focus on energy efficiency many homes may be difficult to treat or income levels may be so low compared to energy costs that carefully targeted social tariffs may still have a role to play. The cost to contributing customers needs to be considered in the context of other levies such as the NI Sustainable Energy Programme or NIROCs.

Q7 (Chapter 4) Comments are welcome on policy funding questions/issues. In the absence of additional new government funding, should any intervention on energy bills be paid for by all customers or a subset of customers?

No comment.

Q8 (Chapter 4) Comments are welcome on the issue of which customers should be targeted for help (and why) and to what extent per annum.

No comment.

Q9 (Chapter 5) Can respondents identify a data set that would enable us to assess the risks to different customer groups of equating 'high user' with 'not vulnerable'?

The Energy Saving Trust are undertaking significant work on customer segmentation and profiling which would enable it to identify 'vulnerable' and 'not vulnerable' consumers. This capability should be available in the second half of 2010. We would be happy to speak with the Utility Regulator about how this could be of assistance in developing and delivering an affordability scheme.

Q10 (Chapter 5) What other household characteristics are associated with higher or lower electricity consumption?

Electricity consumption can be a factor of:

1. Whether electricity is used for primary or secondary heating and the efficiency of the heating.
2. The energy performance of a property e.g. the design, insulation and air tightness.
3. The needs of the householders, e.g. illness.
4. The size of a property and number of occupants.
5. The behaviours of householders. Research conducted by the Energy Saving Trust in 2009 found that:



- a. 54 per cent of people living in NI still leave the TV on standby before they go to bed, this collectively wastes around £900,000 a year.
- b. If every NI household turned their appliances off when not in use rather than leaving them in standby, collectively we could save £28 million every year.

The impact of behaviours points to the importance of educating consumers as to how they can help themselves by reducing their energy bills through simple behavioural changes.

Q11 (Chapter 5) Respondents' views are welcome on the issues raised in relation to an appropriate mechanism for the collection of funds.

To keep costs to a minimum it may be appropriate to consider mechanisms already in place for the NI Sustainable Energy Programme.

Q12 (Chapter 5) Views are welcome on need for enhanced energy efficiency advice for vulnerable households including size, resourcing and best-delivery options.

Improving energy efficiency can be a long term way of reducing fuel poverty. Any affordability scheme should seek to address energy efficiency as this may alleviate the issue. Energy efficiency can be impacted by hard measures such as insulation or can be behavioural measures such as switching appliances off rather than leaving them on standby.

A programme such as the Energy Assistance Package can address energy efficiency at the same time as income and fuel price elements to fuel poverty. The programme is structured so that all consumers accessing the programme receive energy efficiency advice.

Q13 (Chapter 5) Views are sought on the relative merits and disadvantages of helping the poorest energy consumers through a fund, or a tariff.

A fund may be more expensive to administer but could be targeted more effectively. It may be sensible to reserve the fund approach to administering energy efficiency such as the NI Sustainable Energy Programme. Rather than having a widely available tariff a possible approach is to increase the funds available to improve energy efficiency or provide access to renewable heat among vulnerable consumers, this could help take the less vulnerable out of fuel poverty. The tariff could then be reserved for the most vulnerable group. This restricts the negative impact that a tariff can have on demand management.

Q14 (Chapter 5) Respondents' views are welcome on the issues raised in relation to identifying eligible customers.

Identifying eligible customers needs to be both effective in targeting and cost effective. The Energy Assistance Package uses a combination of personal circumstances (age or the presence of young or disabled children) and benefits to identify the most vulnerable for energy efficiency assistance. This information is relatively easy to collect compared to other measures such as income and energy needs. The benefit of this programme is that it is integrated into the Energy Saving Trust delivery system. Consumers are referred to other assistance that may be available if they are not eligible for specific assistance under the package. This demonstrates the value in a programme being integrated with other initiatives or support streams rather standalone.

Q15 (Chapter 5) We invite comments on an appropriate mechanism and potential costs for the disbursement of funds to eligible households.

The Department for Works and Pensions is trialling an Energy Rebates Scheme in 2010 which seeks to test information sharing on benefits entitlement with energy suppliers to enable the payment of an energy rebate. This pilot could help to inform any affordability scheme established in Northern Ireland.

Q16 (Chapter 5) We welcome respondents' views on the potential impact of affordability schemes on the retail market in Northern Ireland and potential for competition.

If a scheme for social tariffs was established it would be important that the energy suppliers wore the burden in a way that was proportionate to their business. Otherwise the energy suppliers may be tempted to target customers who were not on a social tariff or put barriers or lower levels of service in place for vulnerable customers.

Q 17 (Chapter 5) Comments are sought on the appropriateness of creating exit provisions in a scheme, and on how these might best be designed.

No comment

Q18 (Chapter 5) Comments are sought on the proposed assessment criteria for any scheme.

No comment