

## **Consultation Response Pro Forma**

### **Chapter 1**

#### **1.1 Respondents to the consultation are asked to comment on whether or not they think any of the proposals in this paper would impact on equality of opportunity or good relations for any of the Section 75 Groups.**

The Phoenix Natural Gas Group (Phoenix) believes that any proposal which adversely impacts on prices to consumers may have a detrimental impact on some of the Section 75 Groups e.g. those who are suffering from fuel poverty, and recommends that a full Section 75 equality impact assessment is undertaken in such circumstances.

### **Chapter 3**

#### **3.1 Respondents are asked to comment on the balance between present and future climate change costs.**

The Utility Regulator (UReg) and utility companies are faced with the difficult task of promoting the need to protect future generations against the backdrop of the current economic pressures placed on this generation. Over the last few years Northern Ireland homes and businesses have experienced spiralling energy costs. Climate change, carbon footprints and energy efficiency are hot topics in the global warming debate and of concern for us all. The evidence from businesses and domestic households in Northern Ireland over the last 10 years has demonstrated significant savings on energy and carbon emissions through their switch to natural gas. Natural gas customers have reduced their emissions of carbon dioxide (CO<sub>2</sub>) into the atmosphere by over 1.7 million tonnes to date. A typical household, when converting to modern high-efficiency natural gas heating systems from older heating oil systems, is reducing its heating carbon footprint by more than 50%.

Phoenix as a utility has from day one demonstrated its desire to minimise the impact of its works on the Environment. In order to achieve this Phoenix has in place Environmental Management Systems accredited to ISO 14001 and routinely scores in the first quintile of the Arena Network Environmental Survey. With innovative techniques such as non-dig mainlaying Phoenix has considerably reduced construction waste and through pre-assembled metering installations resulting in reduced transportation miles significant annual CO<sub>2</sub> savings are delivered.

NIE Energy, Phoenix and firmus energy make a conscious effort to promote energy efficiency and have also jointly promoted a number of projects to reach a cross section of the general public.

NIE Energy currently manages the Energy Efficiency Programme. The levy collected from electricity customers alongside support from other partners has provided the opportunity to create a range of schemes offering energy efficiency measures throughout Northern Ireland ranging from insulation upgrades to installing high efficiency natural gas central heating systems. Improving the efficiency of our housing stock has benefited consumers and produced significant energy savings and carbon savings.

As the figures from HECA show, Northern Ireland suffers from particularly high levels of fuel poverty, 34%, and many of the heating replacement schemes receiving levy funding are becoming more and more focussed on the most vulnerable in our society. We believe that this focus should continue. However we must do more to mitigate climate change costs in the future. The environmental benefits of switching to natural gas are without dispute and we believe that there is significant opportunity to promote the benefits of natural gas throughout the available network in Northern Ireland. We wholeheartedly support the achievements of

NIE Energy in managing the Energy Efficiency Programme and will continue to support the Programme in the future, however we believe that more can be done by UReg to promote the environmental benefits of natural gas to every consumer and thereby reduce the impact of climate change costs now and in the future.

### **3.2 Respondents are asked to give their views on the relationship between sustainability and security and diversity of supply.**

Whilst we agree that the advance in renewable technology should be embraced, we believe that it is much too early for it to be able to deliver the job on its own. The consultation highlights areas such as system security management, network reinforcement and connection processes that need to be addressed.

Phoenix has worked closely with large industrial users of energy to promote and install local Combined Heat and Power plants at the premises of those customers. This has the advantage of producing electricity for those consumers at a more efficient level due to the removal of the wastage associated with transmitting electricity along transmission and Distribution wires. In addition although quite small, it contributes to prevention of potential reinforcement of certain parts of NIE's network as less electricity needs to be dispatched from power stations. As the 'waste' heat from the power generation is being used to heat premises and undertake production processes, less energy is being wasted through the generation process.

We also agree that Northern Ireland is almost totally reliant on imports of fuel and with oil remaining the predominate fuel used by households for central heating; our over-reliance on one fuel source is not in dispute. This over-reliance on oil is different from the rest of the UK however where the CO<sub>2</sub> benefits of switching to natural gas has already been harnessed; only around 15% of households in Northern Ireland are using natural gas.

In Northern Ireland therefore, switching to natural gas remains the most economically and environmentally sensible action for today and the continued promotion of high efficiency and well controlled systems by Phoenix is ensuring that customers can minimise their use of energy which benefits present and future generations. Natural gas is the bridge to sustainable renewable energy, but that goal is still some decades away.

### **3.3 Respondents are asked to give their views on the degree to which sustainability issues should drive the Utility Regulator's first NI water price review.**

The challenge to meet the environmental targets set by Government must be embraced by all utilities and industry if Northern Ireland is to become more environmentally sustainable. Sustainability should therefore be included on the agenda of UReg's first Northern Ireland Water (NIW) price review. Whilst it is not reasonable to enforce obligations on NIW that are unduly onerous in comparison to the current gas and electricity obligations, UReg has identified a number of important issues that may be addressed.

Water consumption is increasing with reducing household size, power showers and other household needs, and whilst the onus to reduce consumption cannot be placed on NIW alone, there are a number of issues which could be addressed through the price control to mitigate the problems in the future. Firstly we note that the quality of our water environment is falling behind the rest of the UK and although NIW has improved the quality of water in Northern Ireland over the last few years, its role in achieving the UK's target set by the EU Water Framework Directive by 2015 will need to be considered. Secondly it would appear that leakage is a significant problem and we note that NIW's leakage targets have got tighter each year. We welcome UReg's indication that it will consider the outcome of the leakage review in England and Wales in advance of NIW's next pricing review.

We note that household consumption may decrease by around 10% if a meter is fitted and recommend that the price control reflects the outcome of the 2008 metering consultation.

Although metering is potentially a valuable component of reducing consumption the cost of fitting and maintaining meters must be weighed up against using the same level of expenditure in other areas of the Water Industry i.e. would the same level of expenditure on reducing leakage still further have a larger benefit than installing meters?

UReg acknowledges that Northern Ireland is amplifying the volumes of storm water on NIW's sewerage system by the increase of impermeable surfacing and hard landscaping. NIW is investing in the improvement of the infrastructure to mitigate the problems associated with flooding. However as solutions are likely to involve several different bodies, we believe that a public awareness campaign may bring these issues into the public domain and perhaps also incentivise the public to change its demands in order to protect the environment as a whole.

We welcome UReg's intention to explore Sustainable Drainage Systems and the potential to adopt this approach when undertaking future price controls.

### **3.4 Respondents are asked to consider whether a monetary value of CO<sub>2</sub> equivalent or shadow price of carbon ought to be included within guidance on use of business cases.**

We note that DEFRA has produced a report on the Social Cost of Carbon and the Shadow Price of Carbon and that this differs from the traded cost of carbon which is set by the European Union Emissions Trading Scheme. Whilst we accept that current research dictates that we ought to act now to mitigate the costs of climate change in the future, over one third of our population is already in fuel poverty. Given the uncertainty as to how future policies will be implemented, we recommend that further independent research is undertaken to ascertain the impact that adopting such measures would have on Northern Ireland's society and how the costs may be best recovered. Government will also need to consider how this may be achieved in the absence of any active emission and carbon trading markets.

### **3.5 Respondents are asked to indicate their preference for inclusion of "carbon footprint" monitoring and target setting within the new regulatory contract at the first NIW price review.**

We have highlighted a number of issues in part 3.3 which we believe should be incorporated by UReg into NIW's first price control e.g. leakage, quality of the water environment and improving the existing infrastructure.

Improvements in each of these areas would ultimately reduce NIW's "carbon footprint" and therefore UReg should consider whether it is appropriate to set targets for NIW to improve specific aspects of its operation or simply to provide a "carbon footprint" target with the onus on NIW as to how this may be achieved.

### **3.6 Respondents are asked to consider the benefits of going beyond the "Economic Level of Leakage", possibly by the inclusion of the carbon shadow price in calculations.**

As we have mentioned, we would be interested in the outcome of Ofwat's review of leakage to ascertain if any of the recommendations for England and Wales would be beneficial to Northern Ireland. The Stern Review indicates that by taking appropriate actions now we may lessen the impact in the future, and therefore it is reasonable to assume that Northern Ireland may mitigate future problems by going beyond the "Economic Level of Leakage". Leakage is an important issue; however we believe that it is more important to fully understand the implications of the Ofwat study in order to ensure that any choices we make may be as informed as possible.

### **3.7 Respondents are asked to consider the degree to which NIW should be incentivised to increase its uptake of renewable energy and reduce**

**its non-CO<sub>2</sub> gas emissions and mechanisms by which this might be achieved.**

We note that UK water companies are working towards a 20% renewable energy target by 2020 and that NIW is currently exceeding its target of sourcing 8% of green energy by 2008. NIW is one of the largest users of electricity in Northern Ireland and therefore should be incentivised to reduce its level of CO<sub>2</sub> emissions. As already stated because natural gas produces such a high level of reduction in CO<sub>2</sub> emissions compared to oil and coal it would be up to NIW to decide on the most economic method of delivering these reductions whether it is through greater use of gas, greater use of renewable or a combination of the two. It is key to remember that the targets being set in the rest of the UK is on the basis that the rest of the UK has already moved to natural gas and therefore renewables is the next step. Northern Ireland is at a different stage of its energy evolution and simply applying UK mechanisms to deliver CO<sub>2</sub> reductions in Northern Ireland is not appropriate as the move to natural gas will deliver significant benefits.

It is key that the contribution that natural gas can make is not forgotten by Northern Ireland Policy makers and those parties that have responsibility to delivering those policies. An example of this is that Northern Ireland obtained an exemption from CCL until 2011 because it was recognised that increased penetrations of natural gas in Northern Ireland should displace more polluting fossils fuels such as coal and oil. Therefore it is entirely appropriate for Northern Ireland to adopt different mechanism than GB in order to deliver UK wide objectives.

The NIE SMART programme has been successful in supporting emerging renewable technologies and we believe that it may be appropriate for NIW to operate a similar scheme to promote water conservation and improve the quality of the water environment in Northern Ireland.

Phoenix provides consumers with advice on energy efficiency and has operated a number of schemes alongside NIE, DSD and EST amongst others. We believe that it is vitally important for utility companies to send a strong message to consumers if we are to encourage changing energy and water consumption patterns and that a combined effort is often the most effective way of getting this message across. We would welcome working alongside NIW to enable it to achieve its targets where appropriate.

**Chapter 4**

**4.1 Respondents are asked to rate the following existing instruments from 1-10 (1 being poor 10 being excellent) for the following characteristics:**

- A Profile (do enough people know about the work)**
- B Ability to protect customers**
- C Ability to influence consumers to be more energy / water efficient or change to a lower carbon fuel**

| <b>Measure</b>                              | <b>Profile</b> | <b>Ability to protect customers</b> | <b>Ability to influence</b> |
|---|----------------|-------------------------------------|-----------------------------|
| <b>The NIE SMART Programme</b>              | 7              | 6                                   | 7                           |
| <b>Gas Industry Promotion (significant)</b> | 3              | 6                                   | 6                           |

|   |   |     |     |
|---|---|-----|-----|
| <b>reduced level of promotion by independent parties)</b>   | 7 | 6   | 7   |
| <b>The Energy Efficiency Levy</b>   | 5 | 5   | 0   |
| <b>Price Controls</b>   | 9 | 7   | 7   |
| <b>Key Pad Metering (it is extremely disappointing that Phoenix's pay as you go and debt recovery meters are not given the same level of profile by Ureg as they deliver comparable benefits to natural gas consumers as Keypad does for NIE)</b> | 7 | 6   | 6   |
| <b>Energy Efficiency Advice Provision</b>   | 1 | n/a | n/a |
| <b>NIW Sustainability Report</b>  | 1 | n/a | n/a |
| <b>NIW Environment Management System</b>  | 1 | n/a | n/a |
| <b>NIW promotion of water efficiency</b>  |   |     |     |

## **Chapter 5**

### **5.1 Respondents are asked to comment on the balance of the Utility Regulator's duty to protect present and future customers.**

Households and businesses are witnessing spiralling energy costs alongside the challenge of climate change. Many consumers are, for perhaps the first time, being forced to assess their own energy requirements and the impact these have on our climate now and in the future. This clouds UReg's role as whilst the drive to a sustainable environment would require present customers to meet its own energy needs without compromising those of future generations, the levels of fuel poverty in Northern Ireland have now reached 34%. It is difficult to see how some sectors would be able to withstand any further increases. It is actually not sustainable to have a situation whereby consumers of today have to suffer great levels of hardship in order that consumers of tomorrow can benefit. According to our understanding, the principle duty of the Utility Regulator with respect to gas is to promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland and we believe that greater emphasis and more continued vocal promotion of the gas industry will protect the interests of present customers and ultimately benefit future customers.

We believe that improvements in energy efficiency are an important step to bridge the gap between the energy requirements of current and future customers. UReg should therefore support utilities in their efforts to promote energy efficiency to household consumers and incentivise individual industrial sectors to focus their attention on the move to sustainable energy.

### **5.2 Respondents are asked to comment on the appropriate role of and nature of statutory guidance from Ministers to the Utility Regulator.**

The effects of climate change are becoming more and more prevalent and now require Government intervention to ensure that industry takes mitigating measures to protect the future of our environment. DETI is responsible for implementing policies in relation to energy and sustainable development. Energy companies can play a vital role in implementing this process and as many are within UReg's remit, transparency between Ministers and UReg is important to ensure that appropriate action can be taken at the earliest opportunity. UReg has a breadth of knowledge within the utility sector and should continue to provide guidance and advice to Ministers as required. It is also essential that UReg considers any targets to improve environmental sustainability as part of the price control processes.

**5.3 Respondents are asked to highlight actions that they consider might be appropriate or necessary, but that could not be taken under the Utility Regulator's existing powers.**

Whilst the decision to extend UReg's powers rests with Government, UReg's role is clearly defined and we do not believe that the current process needs to be refined or that its existing powers need to be extended. Government is in the position to delegate responsibility as required and we believe that consumers will ultimately benefit from a greater transparency between Ministers and UReg without any further actions required.

UReg's principle duty with respect to gas is to promote the development and maintenance of an efficient, economic and co-ordinated gas industry in Northern Ireland and whilst significant milestones have been reached in the last ten years, the network is still relatively immature; as we have previously stated, around 15% of households in Northern Ireland are using natural gas for central heating and so there is considerable scope to increase our diversity of supply. We therefore do not believe that it is appropriate for UReg to seek a review of its existing powers at this stage. There is the real potential that this could divert attention away from UReg's primary goal and may hinder the further development of the natural gas network.

We believe that it would be more appropriate for UReg to focus on developing a strategy to promote the environmental benefits of natural gas and complete the timely development of the natural gas network. Only once this is complete should Government consider reviewing UReg's duties and existing powers with respect to natural gas.

**5.4 Respondents are asked to comment on whether the Utility Regulator should seek to be designated under section 25 (1) of the Northern Ireland (Miscellaneous Provisions) Act 2006.**

We believe that UReg should seek to be designated under section 25 of the Act. This will ensure compliance with strategies and guidance issued by Government in relation to sustainable development and reassure utilities and the public that UReg is also taking action to promote our sustainable future.

**Chapter 6**

**6.1 Respondents are asked to comment on the three main roles for the Utility Regulator identified in chapter 6 of this paper as:**

- **gathering and publishing evidence,**
- **contributing to wider energy policy,**
- **regulating differently.**

We believe that it is important to provide industry and consumers with independent and accurate information and that UReg is in the unique position of being able to provide this for two of the main energy providers in Northern Ireland. It is key that any information that is gathered is relevant to the objective trying to be pursued the effort of providing that information is minimised so that Phoenix is not diverted away from its key task of growing the

natural gas industry which would have the negative effect on the ultimate objective.

We have set out our views on the interaction between UReg and Ministers and believe that whilst it is important to take into account precedents set in similar jurisdictions such as GB and Ireland, the economy in Northern Ireland is different and it is important that UReg recognises these differences and regulates accordingly.

**6.2 Respondents are asked to comment on data, which would be useful but, which is currently unavailable on a regular basis in Northern Ireland.**

Energy prices are reaching record levels and consumers are becoming more conscious of their energy requirements and indeed the cost of fuel. It would be useful to provide consumers with information on average consumptions by fuel and property type to allow them to make informed decisions about the fuel they choose to heat their homes. It would also be useful to reference this to the equivalent carbon footprint information.

**6.3 Respondents are asked to suggest innovative methods of developing and promoting the gas industry as a means of reducing Northern Ireland's carbon foot print.**

The Northern Ireland natural gas market is relatively immature and the soaring price of wholesale gas and lack of effective competition in the Greater Belfast Area have hindered the progress of the natural gas industry.

Our recent marketing campaigns focus on the environmental benefits of natural gas over other fossil fuels and indeed the versatility of the product to allow consumers to make an informed choice about their energy requirements and take responsibility for their impact on the environment. We believe that once consumers understand the environmental benefits of natural gas they will more readily consider converting from their older less efficient heating system and we are willing to work with the wider natural gas industry in order to promote this message. The consultation already suggests that "replacing heating oil with gas as the fuel of choice for the domestic sector could potentially be the largest single policy action possible to reduce Northern Ireland's carbon footprint". One method of promoting the natural gas industry is to deliver a TV advertising campaign that sells the benefits of natural gas as a product and ignores the brand of individual companies. This approach was used for Action Renewables and a similar approach coming from the natural gas industry and endorsed by parties such as the Energy Saving Trust etc would carry substantial weight with the Northern Ireland consumer

Phoenix believes that developing the natural gas network into new areas will significantly reduce Northern Ireland's carbon footprint. For example, our distribution network is only 1km to the boundary of the area of redevelopment at the Maze and we believe there will be significant potential to develop the natural gas network in this area.

Furthermore the ongoing investment in the natural gas network in Northern Ireland does not attract any grant or support from local or UK Government. Unlike in GB, the network has traditionally been a standalone private venture and we believe that in some instances this may be hindering the timely development of an efficient and co-ordinated gas network.

For example, there is an even greater opportunity to develop the network at Hillsborough and along the Downpatrick economic corridor. However without economic intervention, this potential will be wasted. An initial review of the costs indicates that a relatively low level of grant support could guarantee the rapid rollout of the natural gas network to Hillsborough and Downpatrick and allow households in these areas access to the environmental benefits of natural gas widely available to households in the Greater Belfast Area thereby reducing Northern Ireland's overall carbon footprint.

Phoenix also believes that there is significant merit in accelerating competition in the natural

gas market throughout Northern Ireland. Currently Phoenix Supply Ltd is unable to supply gas in the towns and cities supplied along the North West and South North pipelines. Phoenix Supply Ltd is providing consumers a competitively priced product and offers excellent customer service alongside its flexible range of contracts and would welcome the opportunity to offer these services in areas outside its current Licensed Area.

**6.4 Respondents are asked how the solid fuel and oil industries could contribute to social and environmental sustainability? In addition what approach will best achieve this aim?**

In a little over 10 years, Northern Ireland has developed an economic, efficient and co-ordinated natural gas network. Advances in boiler technology and a more educated consumer have meant that Northern Ireland is setting an example in terms of energy efficiency and consumers are benefiting from lower average consumptions than in GB.

Natural gas produces around 25% less carbon dioxide than oil and around 45% less than solid fuel. Natural gas utilities are also required to promote energy efficiency. As well as providing ongoing energy efficiency advice, Phoenix trains its Energy Advisors to provide advice on energy efficiency which enables consumers to make important lifestyle changes when they convert to natural gas.

The solid fuel and oil industries are not regulated and are not therefore required to promote energy efficiency. This means that there may be considerable sections of the population which do not readily receive any energy efficiency advice. These homes may also have inefficient central heating systems when compared to the Northern Ireland natural gas market where central heating systems are relatively new given that the market has only developed over the last 10 years. Furthermore with the recent price of a barrel of oil reaching record levels, these homes are also being hit by soaring oil prices. The oil and solid fuel industries could therefore contribute to social and environmental sustainability by providing similar energy efficiency advice to customers e.g. on delivery, by telephone etc.

The Energy Services Directive may rectify this. Representatives from Phoenix's Distribution and Supply businesses attended DETI's workshop to discuss the implementation of the Directive. DETI has sought advice from a number of key organisations in the Northern Ireland energy sector including regulated and non-regulated utilities and UReg. We understand that DETI intends to use voluntary agreements to ensure compliance with this Directive and Phoenix supports this decision.

Furthermore Phoenix believes that every decision covering overall energy policy should remain with DETI with appropriate guidance from UReg and the wider industry as appropriate. Whilst UReg's considerable breadth of knowledge of regulated utilities is without question, UReg's costs are borne by electricity consumers and only a small cross-section of the central heating market i.e. those using natural gas. We do not therefore believe that it would be appropriate for UReg's remit to be extended. Given that 72% of households in Northern Ireland are using oil for central heating and these companies are outside UReg's remit, any legislative changes such as the Energy Services Directive should continue to be taken by Ministers to ensure that the costs of implementing the changes are borne by all consumers and not imposed on consumers of regulated utilities only.

**6.5 Respondents are asked if the regulatory model used to develop the natural gas network could provide lessons for the promotion of efficient and coordinated heat networks? Do respondents believe that better regulation could aid the development of the community heat industry?**

The natural gas industry is highly regulated which ought to provide consumers with the confidence that their interests are being protected. However some consumers remain of the mindset that they control the price they pay for other fuels whereas they have no control over



the price of gas. As the market is still relatively immature, we believe that consumer confidence will only truly manifest once there is effective competition. Nevertheless, the natural gas market has developed rapidly and the environmental benefits are without dispute. The regulatory model has ensured that the natural gas network has developed economically and that natural gas consumers are informed and able to take action to improve energy efficiency etc. Better regulation may ensure that a community heat industry would develop in a similar fashion, but the benefits of setting up such an approach to a new industry must be weighed up against the increased promotion of industries that are already established.

## **Chapter 7**

**7.1 The Utility Regulator considers that the following are important when assessing policy proposals. Respondents are asked to score each of the proposals in chapter 7 of this document from 1-10 on the basis of their potential in relation to the following measures:**

- 1 Potential Certainty of Outcome**
- 2 Potential Cost effectiveness**
- 3 Certainty for investors**
- 4 Potential to provide equity for consumers**
- 5 Potential to encourage innovation**
- 6 Good fit with other NI government departments**
- 7 Good fit with competitive energy markets**

**The proposals are summarised as follows:**

|  | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> | <b>6</b> | <b>7</b> |
|--|----------|----------|----------|----------|----------|----------|----------|
| <b>a. Cross utility licence condition requiring licensees to have in place environmental policies.</b>   | 10       | 3        | 10       | 1        | 7        | 9        | 8        |
| <b>b. Cross utility requirement to report annually of sustainability activities and initiatives.</b>   | 10       | 5        | 10       | 1        | 7        | 9        | 8        |
| <b>c. Requirements on licence holders to provide customers with environmental information in relation to fuel mix in a uniform and easy to understand format, on all bills and promotional literature.</b> | 10       | 3        | 10       | 1        | 2        | 9        | 8        |
| <b>d. Strategic investigation into use of “Smart Meters” as a mechanism for delivering better quality and timely information to customers.</b>   | 10       | 6        | 6        | 4        | 7        | 6        | 8        |
| <b>e. Work with energy licence holders to assess current tariff</b>  | 8        | 4        | 5        | 4        | 4        | 8        | 8        |

|  |    |   |   |   |   |   |   |
|--|----|---|---|---|---|---|---|
| structures.  |    |   |   |   |   |   |   |
| f. Continue to work with partners and stakeholders to ensure renewable generation can be equitably accommodated on the electricity network.  | 8  | 5 | 6 | 2 | 4 | 9 | 8 |
| g. Ensure price control processes take into consideration the effect of climate change on electricity and gas networks.  | 8  | 5 | 7 | 1 | 2 | 9 | 8 |
| h. Carry out a full strategic review of energy efficiency delivery mechanisms  | 10 | 4 | 7 | 2 | 5 | 9 | 8 |
| i. Develop a strategy in relation to gas promotion, which considers the potential benefits of common arrangements for the transmission and distribution of gas on the island of Ireland. | 8  | 5 | 6 | 2 | 2 | 9 | 9 |
| j. Developing sustainability within the NIW price control  | 8  | 5 | 8 | 2 | 5 | 9 | 8 |
| k. Improving our own practices and procedures.   | 8  | 5 | 8 | 1 | 1 | 1 | 1 |

**7.2 Respondents are asked to identify what they consider to be the top three priorities from the above list of proposals and rank them in order of importance.**

1. Develop a strategy in relation to gas promotion, which considers the potential benefits of common arrangements for the transmission and distribution of gas on the island of Ireland. – Phoenix is actively engaged in the current process of investigating the potential for an all-island natural gas market and awaits the outcome of this process to ascertain if there is an opportunity to harness any benefits of adopting appropriate all-island structures and processes.
2. Carry out a full strategic review of energy efficiency delivery mechanisms.
3. Cross utility licence condition requiring licensees to have in place environmental policies.

**7.3 Respondents are asked to list any further proposals which they think should be considered.**

As we have stated in our response to question 1, some proposals may adversely affect various sectors of our society and it is important that UReg continues its policy of consultation before implementing any proposals. For instance, it is wholly inappropriate to implement a “rising block” tariff system that targets households with higher levels of consumption as this may adversely affect the most vulnerable in our society e.g. the elderly and the sick who are more likely to be confined to their homes throughout the cold winter months.

Furthermore it is entirely inappropriate to impose a “rising block” tariff on natural gas consumers when oil is the predominate fuel for heating homes in Northern Ireland. This would unfairly discriminate against the natural gas industry as high users may be forced to revert to oil to avoid the higher tariff. This situation would negate the efforts made by the wider natural gas industry in developing the network to date and would destroy the long-term environmental message of improving Northern Ireland’s carbon footprint by switching to natural gas.

It would be inexcusable to target those homes who have already taken action to reduce their carbon footprint by switching to natural gas and we believe that it is more appropriate to set a tariff which allows people to pay for the energy they use.

For instance, PAYG tariffs in Northern Ireland are not at a premium to credit tariffs. This is different from the position that prevailed for many years in GB. This allows consumers to budget for their fuel and may also provide them with a wider appreciation of their energy consumption.