



**Response by the Northern Ireland Fuel Poverty
Coalition to the Department for the Economy
EnergyWise Scheme Proposals Consultation Paper**

June 2016



About the Northern Ireland Fuel Poverty Coalition

The Northern Ireland Fuel Poverty Coalition (FPC) was launched on the 1st November 2010 in response to the increasing serious levels of fuel poverty in Northern Ireland. The Coalition's aim is to drive forward the fuel poverty agenda in Northern Ireland in terms of both policy and practical initiatives.

Currently, the Coalition has a membership base of over 100 organisations from across Northern Ireland; representing businesses, environmental groups, trade unions, the health sector, local councils, consumer groups, housing associations, rural support networks, the voluntary sector, student unions, young persons groups, older persons groups and faith groups.

The Fuel Poverty Coalition believes no-one should have to live in a cold home.

The Cold Hard Facts

- Over 300,000 (42%) households in Northern Ireland live in fuel poverty, the highest proportion of fuel poor households in the UK¹.
- 33,000 households are in extreme fuel poverty, needing to spend more than 25% of their income on all household fuel use².
- 870 deaths in 2014-15 across Northern Ireland were directly attributable to vulnerable people living in cold homes³.
- Around 68% of households in Northern Ireland are reliant on Home Heating Oil to heat their homes; an unregulated fuel in terms of price and vulnerable consumer protection⁴.
- Based on a conservative estimate, Northern Ireland domestic energy consumers have contributed well over £150m to the Treasury over the past 5 years⁵.

¹ Over 300,000 (42%) households in Northern Ireland live in fuel poverty, the highest proportion of fuel poor households in the UK. op. cit. 2. http://www.nihe.gov.uk/northern_ireland_house_condition_survey_main_report_2011.pdf

² 33,000 households are in extreme fuel poverty, needing to spend more than 25% of their income on all household fuel use. University of Ulster, Tackling Fuel Poverty in Northern Ireland June 2013. Pg. 5. http://uir.ulster.ac.uk/27679/1/AWP1_REPORT_FINAL_TYPESET_COPY.pdf

³ 870 deaths in 2014-2015 across Northern Ireland were directly attributable to vulnerable people living in cold homes. Data taken directly from Northern Ireland Statistics and Research Agency: <http://www.nisra.gov.uk/demography/default.asp32.htm> 30% of total figure directly attributable deaths from cold homes as specified by World Health Organisation research http://www.euro.who.int/_data/assets/pdf_file/0003/142077/e95004.pdf

⁴ Around 68% of households in Northern Ireland are reliant on Home Heating Oil to heat their homes; an unregulated fuel. Figure as defined by research from the Consumer Council: <http://www.consumerCouncil.org.uk/energy/home-heating-oil/>

⁵ Based on a conservative estimate, Northern Ireland domestic energy consumers have contributed well over £150m to the Treasury over the past 5 years. "This calculation is based on estimating the VAT derived from domestic electricity and gas sales in NI. This analysis is based on conservative estimates of household energy consumption, does not include VAT derived from the use of supplementary or secondary heating or any contribution from VAT on non regulated fuels such as domestic heating oil which is clearly the predominant fuel for domestic heating in NI".



The Consequences of NOT Addressing Fuel Poverty are Significant:

- More pressure on health and social care services;
- Shocking numbers of cold-related deaths every winter;
- Stress and mental illness through struggling with fuel debt;
- Social exclusion and isolation arise from living in a cold, damp house; and
- Setbacks to children's education when they cannot study properly in their own home.

The recognised benefits of acting to end fuel poverty are:

1. Reduction in bills and energy arrears can increase spending within poorer communities and local economies;
2. Better living conditions and significant positive impacts on health;
3. Increased internal temperatures will lead to fewer premature winter deaths; and
4. Reduction in bills can lead to less stress and better mental health for occupants.

The Northern Ireland Fuel Poverty Coalition's FIVE KEY PRIORITIES for Action

- **Ensure that current and future schemes are effectively targeted at those who need the most support to reduce their heating costs, and any emerging scheme must ensure that the energy justice principles of the Northern Ireland Sustainable Energy Programme (NISEP) are embedded as a key principle.**
- Make energy efficiency an infrastructure priority to resource a well targeted energy efficiency programme, based on a Whole House Solution, to firstly significantly reduce and then eliminate fuel poverty in Northern Ireland.
- Establish a new fuel poverty strategy. Ensuring that all key departments, organisations and individuals are fully engaged in tackling fuel poverty.
- Save lives by implementing the NICE NG6 guidelines on tackling excess winter deaths.
- Regulate the oil industry both in price and protection of vulnerable consumers, ensuring that they have the same safeguards that natural gas and electricity consumers currently have.



Background

Since 2002, NEA, through the Northern Ireland Assembly, secured the principle to ring fence the majority of the levy funding (80%) to be targeted at priority households or those in fuel poverty in Northern Ireland. The other 20% of funding is available for schemes that target non-priority domestic households and the non-domestic sector including businesses, commercial and industrial premises, schools and hospitals. This funding is used for a range of energy efficiency interventions such as installation of central heating systems and insulation including loft and cavity wall insulation.

The consultation is proposing that the NISEP funding moves to fund EnergyWise. This proposed energy efficiency scheme has been set up to meet the EU Energy Efficiency Directive 2012 (EED) which directs Northern Ireland to find energy savings of 200GWh per year. The consultation also sets out 3 options as to who the levy will be lifted from.

Three options have been proposed and are summarised below. This table shows the forecast impact on consumer bills for the three options and are based on EnergyWise costs of £8m:

Based on EnergyWise costs of £8M

Market Sector	Average Customer Numbers	Option 1	Option 2	Option 3
		Increase in Avg DUoS Bill	Increase in Avg DUoS Bill	Increase in Avg DUoS Bill
		£	£	£
Domestic	787,606	£ 10.16	£ 9.68	£ 3.78
Combined Resid/Bus	7,489		£ 50.51	£ 19.71
SME <70kVA	57,006			£ 19.91
SME >70kVA	4,918			£ 412.03
LEU >1MW	185			£ 8,594.89

Option 1 . the cost of EnergyWise is recovered from domestic electricity customers only;

Option 2 . the cost of EnergyWise is spread across customers in the domestic and combined business and residential customer categories; or

Option 3 . the cost of EnergyWise is spread across all customers connected to the electricity distribution network.



We are calling on the Northern Ireland Authority for Utility Regulation (NIAUR) and the Department for the Economy (DfE) to remain with Option 3, as this is currently the position with the NISEP. Our rationale is as follows:

- There is a lack of detail in the overall consultation to enable us to make any meaningful response to the questions posed, which could justify any upward pressure on domestic customer bills. Alongside this, it is also not clear if the proposed policy will focus on those consumers that need most support, i.e. the fuel poor.
- EnergyWise proposals include options for grant and loan funding. The GB Green deal scheme, also based on loans, did not deliver energy savings. The National Audit Office found that only 1% of households took out loans under the now abandoned scheme, which auditors say failed to deliver a meaningful benefit. We must learn from this experience before embarking on a loan based scheme in Northern Ireland.
- If domestic consumers are being asked to contribute to EnergyWise we should know what they can expect from the programme. Will there be a ring-fence for fuel poverty as was the case with the NISEP? This consideration needs to be addressed before a decision is made on who pays for this policy.
- The Department for Communities Affordable Warmth Scheme is an area based fuel poverty programme targeted at a very small number of households, circa 4000 homes per annum, with a household income of less than £20k. While there is some scope for self-referral from households outside the areas, who have an income of less than £20k and a health issue, the scheme is in the main area based. Therefore to potentially exclude all other households with an income of less than £20k from EnergyWise, as implied in the consultation, is seriously disadvantaging the fuel poor despite them paying proportionately more into this levy. This will undoubtedly disproportionately have a major impact on the fuel poor; many need an intensive heating regime because of their vulnerability due to disability or age, and the fact that many rely on electric secondary heating sources as they cannot always afford the fuel for their primary heating.



- Without a contribution from industry, the numbers do not stack up. EnergyWise needs to find energy savings of 200GWh per annum and it is not clear how this can be achieved through this proposal.
- While it is proposed that all domestic households, regardless of tenure, will contribute to EnergyWise, it is not clear if all will have equal access to the scheme. Clarification is needed to ascertain if those in Housing Executive and Housing Association properties will be eligible.

These issues lead us to have a lack of confidence in the overall readiness of EnergyWise in all its aspects.

The ending of the NISEP without a clear road map for EnergyWise puts fuel poor households in considerable jeopardy, as well as causing industry supply chain issues.

As outlined above, the consultation poses more questions than answers. We therefore believe that the consultation does not provide the necessary information to enable us to make informed decisions.

Additionally, having looked at the Equality Impact of the proposal, we fail to see how:

‘the analysis concluded that while there may be a negative impact on some section 75 groups in terms of increased electricity costs, the benefits achieved by the installation of energy measures would mitigate this impact by reducing energy costs.’
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This will categorically not be the case. As the current proposal stands, poorer households will proportionately pay more into the levy, due to the fact that this is a regressive levy. They will be doubly penalised as it appears that they will be unable to access EnergyWise due to a range of issues including:

- If the household income is less than £20k, they should be dealt with under Affordable Warmth, however as outlined above this will not be case, as Affordable Warmth only deals with severe fuel poverty in targeted areas, circa 4,000 households a year, which also includes a small number of self-referrals



- Lack of access to loans due to poor credit
- No disposable income to top up any grant provided
- May be already in debt or susceptible to getting into debt

It is impossible to see how this policy could be fair or equitable for the current 42% of households experiencing fuel poverty.

In conclusion, the Northern Ireland Fuel Poverty Coalition calls on the NIAUR and the DfE to further extend the NISEP until March 2018 to give the necessary time and space required to consider this proposal in the round. There can be no meaningful response to the main questions posed in the consultation without further information on how any new and emerging model will impact on households in fuel poverty in Northern Ireland. Indeed it should also be noted that the EnergyWise model, which looks to move the funding mechanism from the NISEP across to EnergyWise, is a revised policy as opposed to a new policy and as such should bear the necessary scrutiny of moving from such a socially progressive model to something of a lesser standard.

As time is now of the essence, we believe speedy action is required otherwise a hiatus will occur with the ending of the NISEP. This will leave a gaping hole which will benefit neither Northern Ireland households nor Northern Ireland Industry.

The Northern Ireland Fuel Poverty Coalition calls for:

- 1. The Northern Ireland Authority for Utility Regulation and the Department for the Economy to remain with Option 3, as is currently the position with the Northern Ireland Sustainable Energy Programme**
- 2. To continue with this option until such time as it can be demonstrated that a progressive social and environmental Energy Efficiency Obligation or equivalent is introduced in Northern Ireland which will be ring-fenced for the fuel poor**
- 3. To establish an expert group of key stakeholders to provide meaningful input to the policy design and operational delivery of any new energy efficiency scheme, to ensure that it is fit for purpose**



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