



Action for Warm Homes

Northern Ireland

National Energy Action NI

Response to the Utility Regulator

Review of the Northern Ireland Sustainable Energy Programme (NISEP) & Energy Efficiency Provision

Discussion Paper

October 2019



About NEA

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 customers 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.

Background

Based on the 2016 House Condition Survey (HCS), Northern Ireland has a rate of fuel poverty at 22%. It is 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. Additionally, one in five households in Northern Ireland are living in relative poverty and 19% of working age adults in the private rented sector spend more than a third of their income on housing¹.

¹ Joseph Rowntree Foundation, Poverty in Northern Ireland, 2018



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The cold kills, and between August 2017 — July 2018 there were 1,500 excess winter deaths in Northern Ireland. According to the World Health Organisation (WHO), a third of these deaths are directly attributable to living in cold damp homes.

Additionally, and unique to Northern Ireland, 68% of all households are reliant on home heating oil, a non-regulated fuel.

Furthermore, we expect that due to Brexit, the falling pound and recent volatility in energy costs will cause further impacts and put severe hardship on individuals and families.

We are pleased to be taking part in the next stage of the NISEP review process. NEA NI has long been an advocate for the NISEP and indeed established the Energy Justice Campaign to ensure the retention of NISEP until an alternative programme was fully in place.

As it stands today the annual NISEP fund which is circa £9M will run until March 2022. Therefore, NEANI is advocating to ensure that there will be no break in funding with a smooth changeover to a progressive programme that will lead us to fulfil an energy efficiency target we wish to set in statute.

The current landscape is set to change significantly with the development of the new Energy Strategy and the preparations for decarbonisation across Northern Ireland. With the forthcoming new Fuel Poverty Strategy being developed and overseen by the Department for Communities, due cognisance should also be taken within this review process.

Simultaneously Northern Ireland is bracing itself for potential shockwaves emanating from a no deal Brexit should this occur later in the year.

Amongst the 300,000 households receiving varying means-tested welfare benefits and tax credits, the end of the financial year could see the end of the mitigations payments and many householders facing significant drops in their incomes. Figures provided by the Cliff Edge Coalition NI submission in June 2019² show the extent of the reforms if mitigations end:

- 126,000 will experience reduced entitlement (average £39 per week);
- 35,600 children estimated by 2019/20 to be affected by the two-child policy by £53 per week per child;
- 33,000 will lose on average £12 per week due to social size sector policy;
- 1,300 will lose on average £47 per week due to benefit cap with 8% losing up to £100 per week.

With the reforms no doubt causing extreme stress to families, we must use all interventions possible to mitigate these impacts and improving energy efficiency will be a lifeline for many vulnerable households.

² https://www.housingrights.org.uk/sites/default/files/Cliff_edge_NI_Coalition_response_westminster_inquiry-welfare-policy-NI.pdf

The NISEP funding has enabled organisations to work with local communities to maximise connections into all fuel poverty schemes and has delivered significant gross customer benefits since 1997.

Discussion Paper Questions

Q1. Given our duties (see chapter 4), are the current objectives for NISEP still appropriate or are any changes required?

We feel that the objectives are still highly relevant; given the impressive outputs the programme has delivered. We strongly believe that it is possible to deliver energy efficiency and carbon reduction whilst alleviating fuel poverty and the NISEP and former EEL proves this in practice. The objectives have not dated and in many ways seem more pertinent than ever.

Particularly in light of the decarbonisation agenda, objective one should clearly encompass energy efficiency education. Whilst the scheme is wholly based on energy efficiency measures, both in home and the proportion of non-domestic; it is important that recipients are given adequate information on the benefits of the measures. In the case of heating upgrades, domestic householders need the right information to be able to operate and maintain their new system not always provided by the installer. This advice should also include switching, budgeting and signposting to benefits advice.

Q2. To what extent should future support for energy efficiency continue to be focused on priority (vulnerable) customers within the context of NISEP?

We recommend that this focus should remain and be expanded. In 2002 NEA successfully lobbied for the 80% proportion for fuel poor and we call on this to become 100%. How the NISEP has evolved with an energy justice ethos should endure beyond this review. In our Energy Justice Campaign, we emphasized that all customers pay for the NISEP and those on the lowest incomes should be prioritised and benefit from this much needed programme. We found that in the higher demand schemes, there is now a need for triage based on immediate need to take account of dire situations such as poor health and the needs of young children.

Research has identified in addition to income inequality, there are other variables affecting fuel poor households including lack of financial means to invest in energy efficiency measures, high concentrations of areas where housing is less affordable, stigma around seeking assistance and the normalisation of the condition.³ These variables resonate with the need for a just transition for consumers in the world of decarbonisation.

Beyond the income criteria, Primary Bidders can make their own sub-categories. As mentioned above, consideration should be given to physical and mental health issues, condition of properties and the age of the residents. Often the scheme is at capacity shortly after opening due to high demand. We recommend that some strategic decisions need to be made on reserving a certain number of measures for those in immediate crisis and implementing a fast track system, which we are happy to discuss further with the UR.

Q3. Are the existing energy efficiency measures currently supported by NISEP still appropriate?

Our mantra is 'fabric first', and we therefore feel a significant proportion of any future scheme should invest in insulation. We acknowledge that many homes throughout Northern Ireland have benefited from NISEP, Affordable Warmth and the precursors.

We also understand that the challenge of hard to treat homes remains a big obstacle, however the ongoing problem of energy inefficient homes will not go away without robust initiatives in place to help alleviate some of the worst affected.

The forthcoming Energy Strategy will begin the task of mapping the future of heat within domestic dwellings and non-domestic buildings. This is a mammoth job and will affect both those self-funding their measures and lower income households. The Strategy will be examining the decarbonisation of heat and we reiterate that energy efficiency is the first fuel and should be dealt with before any other intervention⁴ energy efficiency delivers multiple benefits in the transition to low carbon heat.

³ Boardman, B., 2010. Liberalisation and fuel poverty. *Ian Rutledge, Philip Wright, UK Energy Policy and the End of Market Fundamentalism, Oxford Institute for Energy Studies, Oxford*, pp.255-280.; Bouzarovski, S. and Simcock, N., 2017. Spatializing energy justice. *Energy Policy*, 107, pp.640-648.

⁴ <https://www.iea.org/efficiency2018/>

Q4. Please suggest measures that you think should be supported by NISEP including new and/or innovative measures. Please prioritise the measures and provide evidence to justify your view.

1. In light of recent research⁵ there may need to be a decision on incorporating cavity wall extraction. We regularly deal with clients in the private rental or owner-occupied sectors who are unable to proceed with cavity wall insulation due to pre-existing defective insulation. There are extractions available under Affordable Warmth Scheme which is a targeted scheme for a certain level of income currently £20,000 per household. Those not eligible for Affordable Warmth would have to find the costs to pay for extraction. Ineffective cavity wall insulation not only causes heat loss but can lead to condensation and mould growth which is a major public health issue. Knock on effects could include increases in GP appointments and acute healthcare needs. Whilst extraction as an isolated measure does not reduce carbon, it should be merged with cavity wall insulation installations. A caveat would be needed to enable robust inspection mechanisms take place and approving all extractions are appropriate; would ensure the finite programme resources are maximised. This may call for a different way to assess the bid for the future scheme; interventions may need to be weighted (which would include oil to oil upgrades).
2. NEA and fellow stakeholders are in favour of simple yet innovative methods of improving heating controls; currently controls are only offered with a full heating upgrade however it would be cost effective to install a variety of thermostats for households not requiring a full boiler upgrade. Room thermostats, thermostatic radiator valves and hot water thermostats all contribute to the saving of energy but are generally only available for whole house solutions, there should be an element of flexibility where households only need small upgrades.
3. Power NI previously ran a programme in 2014-15 'Energy Saving Packs' based on small energy efficiency measures such as Radiator panels, hot water jackets, bulbs, energy monitor and water widget we feel that a similar model would be worth revisiting and recommend assistance for vulnerable households fitting and using the items.

⁵ <https://www.nihe.gov.uk/Working-With-Us/Research/Cavity-Wall-Insulation-Research-Project-2019>

4. Whilst only affecting a small proportion of housing stock there is a cohort of dwellings not suitable for wet systems, for example apartment blocks. These need alternatives and previously run storage heating systems offered a lower price solution. However, there would need to be some scoping to ensure the cost of the system would not cause excessive heating costs. There should be an element of flexibility for Primary Bidders to install these exceptional cases where gas is not suitable. In GB, the NEA Health Innovation Programme trialled a number of electric systems⁶.
5. Renewable heating technologies should be considered in the long term particularly for rural areas who will never have access to gas. A number of new innovative heating systems are being trialled and whilst cost effectiveness is a priority, these should be at the very least explored under innovation aspect to see the impact on low income households. A strategic response to the oil dependent areas is required.
6. A boiler repair fund for households in crisis unable to afford repairs but whose boiler is assessed as not eligible for replacement. Wales initiated a pilot scheme⁷ in 2018-19 which provided up to £120 for repairs.
7. Scoping on Loft insulation for dwellings with floored lofts. Many householders are unable to utilise loft insulation due to floored lofts or being physically unable to manage removal of items. Partner voluntary organisations could potentially coordinate with Primary Bidders.

Q5. How best can any future funding scheme ensure a proportionate distribution of benefits across Northern Ireland?

The role of the UR is to work with industry to find solutions and specifically the needs of vulnerable consumers. The framework around price controls allows for investment in innovations that may lead to a positive impact on consumers. Energy efficiency is essential for good health and well-being and it is incumbent on government to protect the vulnerable.

⁶ <https://www.nea.org.uk/hip/>

⁷ <http://tvawales.org.uk/wp-content/uploads/2019/01/STANDARD-OPERATING-PROCEDURE-WINTER-BOILER-REPAIR-PILOT-WINTER-2018-2019.pdf>

Fuel poverty affects 22% of the NI population and the statistics provided in the discussion document illustrate high density of NISEP uptake in Belfast and low uptake in certain rural areas. The results are disappointing and could be down to a number of variables; resources devoted to providing energy efficiency referrals, PR and reach carried out by Primary Bidders. As the NISEP purse is finite and as mentioned, is high in demand; consideration needs to be given to triaging referrals. Areas such as Mid Ulster where fuel poverty is currently the highest⁸ need to be addressed. Rurality has been increasingly cited by stakeholders and the current off gas population needs a sustainable heating alternative. While the NISEP is primarily an energy efficiency scheme, the UR needs to look at these alternatives and as outlined look at the weighting for oil dependent areas to ensure fair and equitable spread of the programme.

Q6. What are your views on how NISEP or any future support should be funded?

We note the findings from the CIT indicating that consumers were willing to pay an average of £20 per year for additional services and 60% of consumers were willing to pay £12 or more per year. That said, the House Condition survey shows evidence that the lowest income households are more likely to be in fuel poverty. Many people are living on the edge and we do not endorse any change to remove the non-domestic sector from the levy. We would still maintain the 'polluters pay' principle. (In May 2016 the Energy Justice Campaign responded to the Department for the Economy 'EnergyWise Scheme Proposals' consultation in summary recommended 'Any energy policy funded through levies should be targeted at the fuel poor as is the current trajectory from GB and Europe.' This is timely in light of the DFE upcoming Energy Strategy.) We would even suggest the start of discussion on a levy on home heating oil if it demonstrated that it assisted low income households.

Q7. What are your views on how to best achieve cost effectiveness and value for money in the allocation of funding through NISEP or any future replacement?

It is difficult for us to answer this; our focus is on customer journey and Primary Bidders would be in a good position to respond to this question on personnel hours carried out on house calls and administration. A triage system would add focus to the demand of installations. Investment in some technology to streamline income checks and databases may increase efficiency. However, the set-up of the framework and how industry responds is within the remit of the

⁸ <https://www.nihe.gov.uk/Working-With-Us/Research/House-Condition-Survey> Table 6:5 (Statistical Annex 2016)

Programme Manager, EST. While the Framework Document clearly sets out the rationale for cost effective schemes, it would be useful to see more transparency on how weighting is measured in scheme allocation.

Q8. What are your views on the criteria used to determine access to priority schemes?

As mentioned, there is an identified need to triage vulnerable households across all schemes with a weighting for specific household demographics due to demand there can be a build-up of waiting lists so this would assist with those in urgent need.

We are not recommending changes to the income criteria, the 2017-18 Households below average income report revealed approximately 59% of individuals in Northern Ireland had a household income below the NI mean income of £519 per week.

Strategic and Policy Context in NI Questions

Q9. Going forward, is there any overlap or gaps between NISEP and other funded schemes that needs to be addressed?

There has always been an overlap between the roles of the Department for Communities and the Department for the Economy and while Affordable Warmth has always been the Statutory fuel poverty scheme; the NISEP does not replicate the Affordable Warmth scheme and has been primarily an energy efficiency / carbon reduction scheme. The ethos of Affordable Warmth has been to target those in severe fuel poverty, and this is based on the GIS mapping and strategically targeting the households deemed to be in the worst fuel poverty areas.

We continue to maintain that despite this overlap, there is still enormous demand for both schemes, and they co-exist justifiably. The review document provides feedback from responses to the previous call for evidence which recommend amalgamating funding into one larger scheme, however we would be cautious about this. Both schemes have their own defined objectives and while one scheme would eliminate any confusion, there could be unintended consequences in future direction in funding and strategic decisions. The retention and

continuation of the NISEP has been hard-fought so we would not be in favour of the objectives being dramatically altered at this stage without appropriate evidence.

Q10. What are your views on how the main lessons learnt from elsewhere and how should they be taken into consideration in the design of any future support for energy efficiency?

The Digital Economy Act has been instrumental in working with DWP in GB to identify householders on key benefits and ensure better targeting. Data matching is potentially part of the answer.

The advice sector successfully worked with the Social Security Agency in previous projects to target various client groups for income maximisation. Benefit recipients were invited to contact a helpline to get advice; customer data was managed as the benefit recipients elected to contact the advice service.

The recent success of the renewable generation in Northern Ireland target⁹ is due to a statutory target and this is required for energy efficiency in Northern Ireland.

Q11. In your view, how does Northern Ireland ensure it is ready for energy efficiency/carbon reduction challenges in the future?

A large aspect of this is public buy-in; the recent NISEP stakeholder event heard from a variety of sectors and successful initiatives such as plastic reduction and bags for life showed that it is possible to change public will and understanding. The rising momentum in climate change shows that there will be an increased appetite for energy efficiency not just in cost terms but in societal and environmental terms. As mentioned, there will need to be more education on the benefits of energy efficiency with cohesive cross sectoral messaging and the role of advice. In addition, public discourse is required with an open and honest debate on the costs of decarbonisation and who pays – which will inevitably be the consumer.

⁹ <https://www.economy-ni.gov.uk/articles/electricity-consumption-and-renewable-generation-statistics>

Q12. In your view, what should be the target customer groups of any future energy efficiency support fund?

We would be in favour of maintaining a focus on vulnerability and low income. We still support that all tenures should be included. We are potentially facing two major impacts on the Northern Ireland economy with the full impact of welfare reforms and Brexit. It is impossible to surmise the outcomes however it is likely those on the lowest income percentiles will be worst affected should we be faced with a no deal and no return to the Assembly by March.

Q13. How could a 'One Stop Shop' approach to the provision of energy efficiency support (as suggested in the Call for Evidence) be organised?

A one stop shop would improve the customer journey but requires cost benefit analysis so further scoping would be needed on how this would work in practice. Ideally anchoring advisers/champions with a dedicated helpline to field calls and deal with queries throughout the referral process. Whilst in most cases the NISEP provides a smooth transition from referral to installation there is an element of contact and reassurance with vulnerable households.

Q14. Have you any other comments on the existing NISEP scheme or any future support scheme that you wish to make?

The simultaneous work on the new Energy Strategy will begin gathering evidence and an ambitious process lies ahead with a need for creative cross-sector working. This will dovetail with the future of NISEP so there will be a need to scope out who is involved and gear up all stakeholders who can provide valuable resources and insight.

Q15. In your view, to what extent has NISEP had an impact in relation to Section 75 of the Northern Ireland Act 1998 or the promotion of equality of Opportunity?

Many of the beneficiaries of schemes have been vulnerable due to various issues including people with a disability, older people and those with young children.



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Appendix: Fuel Poverty Overview

- Fuel Poverty is the nexus of 3 factors; low income, high energy price and energy inefficiency.
- Fuel Poverty has multiple consequences including mental and physical health impacts.
- 1,500¹⁰ excess winter deaths occurred across Northern Ireland in 2017-2018 with 30% attributable to living in cold homes¹¹.
- Improving the energy efficiency of the house is the most effective way of reducing fuel poverty, alongside maximising income and reducing the cost of energy to the householder.

The latest Northern Ireland Housing Executive House Condition Survey was released in May 2018 and provides an overview of the housing stock in Northern Ireland, as well as the latest fuel poverty statistics.

Key findings:

- There are approximately 780,000 domestic dwellings in Northern Ireland.
- Owner Occupier is the largest tenure at 63% with the Private Rented sector and Social Housing sector at 17% and 16% respectively.
- **Fuel Poverty decreased to 22%, 160,000 households.**
- **The mean SAP rating improved from 59.63 in 2011 to 64.84.**
- 99% of dwellings had central heating.
- Oil remains the largest type of heating source at 68% of households.
- More than half (52%) of households living in old properties (Pre-1919) were living in fuel poverty.
- 55% of households living in fuel poverty had an annual income of less than £10,399.

¹⁰ <https://www.nisra.gov.uk/publications/excess-winter-mortality-201718>

¹¹ http://www.euro.who.int/_data/assets/pdf_file/0003/142077/e95004.pdf