



Action for Warm Homes

Northern Ireland

National Energy Action NI

Response to

The Utility Regulator

Draft Corporate Strategy

2019/2024

January 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

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. This leaves many households in a precarious position and we have key concerns that this industry needs some form of investigation to ensure that ‘we are protecting vulnerable consumers, we are improving trust in the market and we are promoting better competition’. At present, we are concerned and have anecdotal evidence that all of the above have been compromised to some extent across Northern Ireland.

Furthermore, we expect that due to Brexit, the falling pound and the recent increase in wholesale costs which, while affecting all fuels, will mainly impact oil prices in the immediate term which will cause catastrophic impacts and put severe hardship on individuals and families. Recent increases have demonstrated that already, prices are rising steadily.

Response

We welcome the opportunity to respond to the Utility Regulator’s (UR) Draft Corporate Strategy 2019–2024. The role of the UR is extremely important to all households in Northern Ireland and we are fortunate to have an excellent working relationship with the team.

We would like to commend the UR for its work on consumer protection, and the ongoing work carried out in relation to fairness and consumer outcomes particularly for the most vulnerable.

At the time of writing it is impossible to predict if there will be negative consequences for Northern Ireland resonating from the EU Withdrawal Deal. It may also be quite some time regardless of which direction the UK takes, to establish the fall out of the decision taken.

The Strategy paper outlines the two ‘major uncertainties’ namely the absent Northern Ireland Executive and the ramifications of leaving the European Union (EU).

The recurring trilemma of sustainability, affordability and security of supply prevails, particularly in this period in Northern Ireland’s status with two predominant and crosscutting issues being the need of a revised energy strategy and an overreliance on oil.

That said, it is judicious of the UR to work closely with the Department for the Economy (DfE) on a new Energy Policy Framework in preparation for whichever scenario Northern Ireland is left with.

The last three years have provided a turbulent landscape within government, however, the progress made within the 2014–19 Strategy is commendable.

- Lower gas and electricity bills have been a welcome relief for customers faced with lower real time incomes and welfare cuts. The increase in gas connections has meant more consumers having a more efficient regulated heating fuel. Although financial barriers still exist, preventing many oil customers investing in gas systems; in theory the greater Belfast area and ten towns areas could be fully connected².
- The I-SEM is now live, and we anticipate that this will be Brexit-proof.
- More consumers are actively switching although, we have responded previously on this about disengaged consumers and believe that more needs to be done with those who do not switch or avail of a better tariff.
- Renewable generation is on the rise which is an excellent achievement not only for the progress of clean growth but for the decreased reliance on fossil generation.
- A large proportion of the Consumer Protection projects are live and functioning with further projects in progress.

The Energy Transition

Future technology within utility services must take cognisance of the high levels of disengaged consumers who choose not to or are unable to embrace the fast-moving increases in smart technologies. Already savvy consumers can switch supplier from a short telephone call or online. The UR has already highlighted the loyalty penalty incurred if customers don't shop around or change method of payment. NEA has previously responded at length to the review of the Consumer Protection Programme (CPP) and raised a number of issues in respect of vulnerable consumers.

Competitive markets

We are pleased that the I-SEM has gone live and as mentioned we anticipate that the overall cost to household bills in the next decade will heavily depend on the Brexit out-workings.

² Circa 333,000 properties currently have gas availability in PNG area alone with potentially 15,000 more by 2022.

Fairness and consumer outcomes

Given that every aspect of maintaining energy generation, supply, infrastructure and regulator is borne by the paying customer, fairness should be front and central. Much vital work has gone into the Consumer Protection Strategy (CPS) and subsequent CPP, which NEA has contributed to, both as a stakeholder and consultee.

For many there is no thought given to switching on an appliance or a heating system. For others, however, navigating the energy customer journey can be a daunting experience and the vital information, in particular for vulnerable and low-income customers is not necessarily at their fingertips. We have already made a number of recommendations in reference to the CPP on cross sector working to identify and target these customers. As a member of the Consumer Vulnerability Working Group we provide regular input into the various aspects CPP implementations.

Northern Ireland Sustainable Energy Programme (NISEP)

NEA continues to campaign for everyone in Northern Ireland to be able to meet their energy needs at home. We are therefore pleased with the fourth extension to the NISEP.

The Strategy document makes no specific reference to the NISEP, however, we are keen to continue to work with the UR throughout the review of the programme. Due to the fact that the NISEP is the second largest fuel poverty programme in Northern Ireland, we believe this review deserves to be thorough and in depth, given the role it plays for fuel poor households.

We also reiterate our belief that the NISEP should remain as part of the UR's Business as Usual, until such time as it can be demonstrated that another programme has been designed to meet the same energy just principles enshrined within the NISEP.

Since its inception, the NISEP has continued to bring about significant benefits to Northern Ireland. It promotes efficiency in the use of energy, socially and environmentally sustainable long-term supplies and it does so at best value to customers, whilst having due regard to vulnerable customers.

It has played a major role in tackling fuel poverty through energy improvements and has been

administered efficiently by the UR with Energy Saving Trust (EST) as Project Administrator. It has dovetailed with the Department for Communities (DfC) statutory fuel poverty scheme acting as a safety net for other low-income families.

The ending of the NISEP with no alternative programme will have a serious negative impact on low income households. Now is the time to increase revenue to tackle the problem, not end this socially progressive income stream or divert resources elsewhere. The retention of the NISEP will play into a longer-term solution to tackle fuel poverty. The UR and other key stakeholders can influence and shape a new NISEP, which can be more efficient, effective and targeted. In a precarious climate and with no existing fuel poverty strategy this has never been more vital.

As ever in this climate of uncertainty we look forward to working with you for better outcomes for households in Northern Ireland throughout 2019 and beyond.

Response submitted by:

Lucy Cochrane
Policy & Campaigns Officer
National Energy Action NI
1 College House
Citylink Business Park
Albert Street
Belfast, BT12 4HQ

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.
- 1,500³ excess winter deaths occurred across Northern Ireland in 2017-2018 with 30% attributable to living in cold homes⁴.
- 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.

³ <https://www.nisra.gov.uk/publications/excess-winter-mortality-201718>

⁴ http://www.euro.who.int/_data/assets/pdf_file/0003/142077/e95004.pdf