



*Action for Warm Homes*  
Northern Ireland

**National Energy Action NI**  
Response to the  
Department for Economy's Public Consultation

***'Energy Strategy for Northern Ireland —  
consultation on policy options***

**June 2021**

## About NEA

National Energy Action (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

Unfortunately, many households in Northern Ireland face the prospects of cold homes, especially during the winter months. Based on the 2016 House Condition Survey, 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 poverty.

We know that the cold kills. The Northern Ireland Statistics and Research Agency (NISRA) estimate that the Excess Winter Deaths (EWD) for 2019/20 was approximately 600<sup>1</sup>. However, one impact of Covid-19 on mortality in Northern Ireland has been to inflate the number of deaths usually seen in non-winter months (April to July in particular), which has in turn led to the seasonal winter excess being lower than usual. If all deaths where Covid-19 was the underlying cause of death are removed from the analysis and the EWD value re-calculated, the estimated figure increases to 910, which is more in line with the five-year average of excess winter mortality from 2014/15 to 2018/19 (967).

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<sup>1</sup> Northern Ireland Statistics and Research Agency (NISRA), Excess Winter Mortality NI Report 2019-20. Accessed online: <https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/Excess%20Winter%20Mortality%20NI%20Report%20201920.pdf>

It is important that we recognise that EWD in Northern Ireland can fluctuate greatly from winter to winter. This is obvious when we consider that between December 2017 and March 2018 there were 1,620 Excess Winter Deaths, which represented the highest EWD value recorded since 1999/2000.

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 believe that this industry needs some form of oversight to ensure adequate protection for vulnerable consumers.

## **Response**

NEA welcome the opportunity to respond to the Department for Economy's consultation on policy options for a new Energy Strategy for Northern Ireland.

For many households, the cost of energy has relatively little impact on how much energy is used in the home. However, for households living on a low income, energy usage makes up a significant portion of the household expenditure. Northern Ireland continues to have amongst the lowest levels of household income across the UK and the highest weekly household expenditure on energy of any UK region. Taken in conjunction with challenging economic conditions as well as the ongoing global pandemic, many families continue to face challenges with meeting their energy costs. Households on lower incomes and vulnerable consumers in Northern Ireland therefore perhaps stand to gain more from a just energy transition than any other grouping. However, this group is equally at risk should the new energy strategy fail to deliver for their benefit.

We know from the 2016 House Condition Survey that the rate of fuel poverty in Northern Ireland is 22%. This means 1 in 5 households are living in cold damp homes. Additionally, we know that some 43,800 households are living in extreme fuel poverty, which means they need to spend over 15% of their total income to heat their homes. This is not acceptable. NEA believe that everyone is entitled to a warm, safe and healthy home.

The new energy strategy offers an opportunity to tackle fuel poverty in Northern Ireland head on, by driving up domestic energy efficiency, creating a flexible energy system and putting consumers at the heart of energy policy decisions. We hope this strategy will be the catalyst for change, inspiring decades of delivery which help shape a more equitable energy system in Northern Ireland.

The strategy will impact upon every energy commodity in Northern Ireland from power station, to building, to vehicle. With such a huge remit within this consultation it is not possible for NEA NI to address every aspect; we will instead specifically focus on issues most pertinent to fuel poverty, energy efficiency, low-income householders, domestic housing stock and to ensuring that this process holds the principles of a just transition.

We recognise the volume of work that as be undertaken to deliver the proposals outlined in the consultation documentation. However, we believe there is still a need for much more analysis to ensure policy makers are equipped to make informed decisions. Specifically, we

are concerned with the lack of detail provided on the affordability of the options outlined in the framework, and the subsequent impact that investment in these policy options might have on consumers.

The options outlined in the framework will require significant investment if they are to be realised. Whilst we would welcome investment within the energy sector, we know that the public will have to make a big contribution to these costs, either through higher bills or through general taxation. Any additional cost to household energy runs the risk of pushing vulnerable households into fuel poverty and worsening the conditions for those already impacted. **NEA are seeking reassurances that the final Energy Strategy will fully investigate the impact of the transition on affordability for low income and vulnerable households in Northern Ireland. We are therefore calling for DfE to provide further information on how these policy options will be financed.**

We believe the following recommendations should be adopted to ensure the strategy delivers for the most vulnerable consumers in Northern Ireland.

- Energy Efficiency should be considered the number one priority to enable everyone to reduce their use of carbon fuels. The NI Executive must resource a comprehensive and accessible energy efficiency programme, based on a Whole House Solution and the 'Worst First principle'. All fuel poor households must receive support to upgrade their homes at no extra cost. To supplement the effectiveness of improving energy efficiency the strategy must also seek to embed a 'fabric first' approach.
- The Energy Strategy needs to ensure that sufficient funding is provided for energy efficiency schemes that help those who need the most support. Within this we believe there is a need for a particular focus on supporting tenants in the private rented sector.
- A cross departmental collaborative approach should be adopted to ensure that Fuel Poverty is an integral part of the Energy Strategy, and that our energy policy delivers an affordable, secure, and sustainable energy system for all households in Northern Ireland. To ensure this approach is adopted NEA are calling on the NI Executive to produce a new Fuel Poverty strategy for Northern Ireland by the end of 2021.
- The strategy must ensure all households have access to high quality information and practical support to allow them to successfully transition to decarbonisation. Independent and meaningful information will be key to enabling people to act. Helping householders throughout the energy transition through direct action, advice and 'hand holding' will all be required.

In this this response, we will outline our broad comments on each of the 5 principles DfE has developed to underpin the energy strategy. Where relevant we have also provided additional comments in response to some of the specific questions that have been raised by DfE in the consultation.

NEA NI provides the secretariat to the Northern Ireland Fuel Poverty Coalition (FPC), which has responded to this consultation separately. Our response shares many synergies with the key issues identified by the FPC.

## Energy Strategy Vision and Outcomes

### Q1. Do you agree with the overall goal of achieving net zero carbon energy no later than 2050?

In principle we believe that Northern Ireland has a responsibility to contribute equitably to reducing the UK's greenhouse gas emissions in a bid to achieve the Net Zero targets. We recognise that the impacts of climate change disproportionately impact poor and vulnerable members of society (including the fuel poor) on both a local and global scale. We therefore have a shared responsibility to act if we are to mitigate these impacts both in the short term, and for future generations.

Whilst NEA supports the need to decarbonise power and heat, the challenges associated with doing so are vast. All low carbon heat solutions will require changes to consumer's heating systems in their homes, which may impact on comfort factors or the responsiveness of the system. Consumers will also be required to change their behaviours, including using less energy and adopting more energy efficient lifestyles.

Ensuring that the most vulnerable households are supported through this transition is our primary concern. We know that cold, damp and unhealthy homes cause acute unnecessary hardship, resulting in a number of health impacts, further strain on the local NHS provision, and can lead to premature mortality. **We are calling for the Department for Economy to adopt the principles of 'helping the worst first' and the 'fabric first' approach within the new energy strategy. This will be the best way to start the journey towards a just transition in Northern Ireland.**

### Q2. Do you agree with the proposed vision of "net zero carbon and affordable energy" for the Energy Strategy?

NEA wholeheartedly agree with the vision outlined in the consultation framework. However, we believe this vision needs to be backed up by appropriately set legislative targets, against which progress can be measured. **NEA are calling for targets to be set on the minimum energy efficiency standards of fuel poor homes.** These targets must be at least equal to, if not more ambitious than, the targets established in England. The energy efficiency-based Fuel Poverty (England) Regulations 2014 require the UK government to ensure all fuel poor homes in England achieve a minimum energy efficiency rating of Band C by 31 December 2030. Setting these targets will help ensure the strategy is deliverable, and that the relevant government departments and agencies are held accountable.

Prioritising this assistance on fuel poor households should be held as a central pillar within the energy strategy to ensure a fair transition to net zero. Whilst we recognise that Fuel Poverty sits within the remit of the Department for Communities (DfC), we believe that the new Energy

Strategy has the potential to make a significant impact on fuel poverty in Northern Ireland. The degree of this impact cannot and should not be underestimated.

### Q3. Do the five principles identified provide clear direction around the approach that we want to take with the Energy Strategy?

NEA believe that the five principles provide a reasonable way of capturing the approach the department wishes to take with the new Energy Strategy. **As outlined throughout this response we believe improving energy efficiency of households needs to be the priority within the agenda of the new Energy Strategy.** Energy Efficiency should be considered as the ‘first fuel’ and this should be represented within each of the five principles.

### Q5. Do our proposed indicators adequately allow us to measure success at achieving the proposed Energy Strategy outcome? If not, please advise on what alternative metrics should be used.

NEA welcome the inclusions of indicators “c) ‘domestic energy cost relative to household income’, e) ‘households in Fuel poverty’ and f) ‘relative electricity and gas prices within the framework’.” These indicators will be an important tool for monitoring the strategy’s effectiveness in protecting consumers and tackling fuel poverty in Northern Ireland.

An additional indicator which we believe should be considered would be running costs of new emerging heat sources (such as heat pumps) compared to traditional alternatives. This will be important for gauging the financial impact of the transition on households in NI.

For example, installing a typical air-source heat pump system costs around £9,000 – £11,000<sup>2</sup>. Running costs will vary depending on several factors including the size of the home, how well insulated it is, and what room temperatures householders are aiming to achieve. The Energy Saving Trust estimate that the potential annual savings of installing a standard air source heat pump (in an average sized, four-bedroom detached home) to be between £200 and £230 when compared to the cost of a typical non-condensing oil boiler.

## ‘Placing you at the heart of our energy future’

Energy policy in Northern Ireland is set to embark on the most dramatic period of change in Northern Ireland’s history. Whilst this change will bring many opportunities for energy consumers including access to clean fuels, the role out of new home heating technologies and improvements to the existing energy infrastructure; it also presents a number of challenges and risks that consumers will need support to overcome.

NEA welcome the inclusion of commitments to protect consumers through the energy transition. It is encouraging to see that both affordability and fairness will be key considerations in the department’s policy decisions. We know that in the future NI households are going to rely on a combination of new emerging energy sources, like hydrogen and biomethane, or increased electrification to heat their homes. We are concerned that this could mean:

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<sup>2</sup> Energy Saving Trust: <https://energysavingtrust.org.uk/advice/air-source-heat-pumps/>

1. That energy prices will rise for domestic consumers because of the levels of investment required to improve existing infrastructure. This coupled with the added burden of paying for housing upgrades and new heating equipment to support the transition to decarbonisation could push many vulnerable households into fuel poverty.
2. That the supports available for vulnerable consumers will be insufficient to help them make the transition in keeping with the wider population. This includes working poor, those in rented accommodation, and those in rural areas.

**There is a need to ensure that existing consumer protections are maintained and strengthened.** As Northern Ireland has a very small retail market in comparison to other countries it does not benefit from economies of scale. For this reason, we consider that it is unlikely to attract enough suppliers for competition alone to form the basis of consumer protection (in particular in relation to vulnerable or low-income customers). Therefore, we consider that the best way to protect domestic consumers (in particular those who may be vulnerable) is to maintain high standards of regulation, including price controls on the biggest supplier. Where new technologies and markets emerge, regulations should be updated to ensure there are no gaps or unintended consequences.

**All households in Northern Ireland will need support to decarbonise, but we believe it is paramount that those considered the most vulnerable are supported first and foremost.** Fixing Northern Ireland's cold, damp and leaking homes will be imperative to ensure a 'just transition'. It will also assist in unlocking several wider social and economic benefits, lifting households out of fuel poverty, reducing the burden on the NHS and freeing up householder incomes which can be reinvested in their local communities.

**Q7. Do you agree with the four consumer population groups we have identified? Please advise on key considerations within each.**

- A. Domestic vulnerable consumers
- B. Other domestic consumers
- C. Small businesses
- D. Larger businesses

Broadly speaking we agree with the consumer population groups identified within the energy strategy framework. As the charity for Fuel Poverty, we wish to highlight some key considerations relevant to the vulnerable consumers group.

We welcome the inclusion of domestic vulnerable consumers as a category within the framework. Vulnerable households perhaps stand to gain more from the successful implementation of a new energy strategy in Northern Ireland than any other grouping. A Just transition offers a once in a generational opportunity to tackle energy inequalities head on and eradicate fuel poverty in Northern Ireland.

It is important to note that there is no clear 'catch-all' definition of a vulnerable consumer. An individual or household's circumstances can change rapidly, making them less able to protect or represent their interests and significantly more likely to suffer detrimental impacts on their

health, wellbeing, or finances. The energy strategy will need to recognise this by ensuring a degree of flexibility in any definitions or categorisations of vulnerable consumers.

In identifying vulnerable consumers, we believe that considerations will need to be given to each of the following groups:

- **Households that use pre-payment meters:** These households are often unable to switch without physical meter changes, have no or limited options to switch supplier within retail markets and face broader difficulties vending for fuels particularly in gas pre-payment meters who can only vend if they physically go to a shop with a PayPoint and top up to a maximum of £49.00. As a result, households on pre-payment regularly self-disconnect (not buying credit on one or both fuels). This issue is already acute but could become even more stark for these households in future if policy costs are switched from electricity to gas. The widescale prevalence of PPM's in NI would suggest there is a need to review their appropriateness, why so many have been installed, what the actual benefits are and for whom? This is a persistent issue and one that NEA raised pre COVID and is once again raising as it is a pressing issue which needs immediate attention.
- **Households with disabilities and medical conditions:** Many health conditions require households to spend more money on heating, as a result of spending longer at home or needing to keep their properties to a warmer temperature. This includes respiratory and cardiovascular conditions, rheumatism, arthritis and allergies and chronic stress and depression. The impact of policy costs on these households can therefore be particularly acute.
- **Digitally excluded households:** Currently c.20% of the population has limited access to the internet. NEA believes these households already face an energy cost premium of £300 per annum because of not being able to access the best deals or missing out on programmes that are only accessible to those that are online.
- **People living in different tenures:** Those in Private Rented Sector (PRS) often have little or no agency about their payment type, their heating type and which energy efficiency measures they have installed in their rental property; yet they often pay the energy bill. This means tenants, especially those in the PRS, are likely to see higher energy costs and therefore are more exposed to policy costs.
- **People living in Rural Areas:** In rural areas of Northern Ireland 31.5% of all households were in fuel poverty in 2016<sup>3</sup>. Households in rural areas often face higher costs because of living in older, solid wall properties with poor insulation, use non-regulated fuels to heat their homes, and face wider access challenges. Data from studies at the EU level also demonstrate that, on average, households located in sparsely populated rural areas are worst affected by high rates of energy expenditure

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<sup>3</sup> Northern Ireland Housing Executive (2016) House condition survey: main report.

— 21.1%, compared to 16.5% and 13.6% for intermediate and thinly populated areas, respectively<sup>4</sup>.

- **Households that do not speak English:** Many households struggle to access support to reduce their energy costs as information and advice is rarely available in different languages. Again, this means they are likely to see higher costs.

**Q8. Do you agree with the five measures identified to “enable and protect” consumers? If not, please outline what else should be included?**

- A. Making available information and advice
- B. Offering proactive “wrap-around” support
- C. Providing financial support measures
- D. Driving change
- E. Reviewing statutory protections.

Yes — NEA agree with the measures identified to enable and protect consumers. **However, we wish to stress the importance of ensuring the strategy will not undermine any existing consumer protections, and indeed should serve to plug any gaps that may be identified because of the rollout of new clean fuels or sources of home heat.**

Our rationale for why we agree with each of the measures is outlined below.

- Making available information and advice — The transition to decarbonisation will require significant change for many householders and consumers in Northern Ireland. This change will involve both the adoption of new technology and heating systems within homes and development of new behaviours for consumers. For many this will be a challenging transition and they will require support, advice, and reliable trusted information to successfully adopt the change.
- Offering proactive ‘wrap-around’ support — Some consumer groups will need additional support as they navigate through the transition process. This might include support to access grant schemes, support to identify and install the right technology or energy efficiency measure for their home, and support to ensure they can develop the skills required to maximise the new technology on offer. This will include hand-holding certain groups through the process of decision making to implementation in the home.
- Providing financial support measures — this will be paramount if vulnerable households are to be able to transition to decarbonisation. The new Energy Strategy must ensure that these measures target ‘the worst first’ and are available to all vulnerable consumers across Northern Ireland to ensure there are no ‘postcode lotteries’.
- Driving change — the introduction of policy measures (for example minimum energy efficacy standards) which drive forward improvements in domestic energy efficiency will be a key driver in achieving a just energy transition. This is of particular importance to

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<sup>4</sup> Bouzarovski, S; Thomson, H; Cornelis, M; Varo, A. and Guyet, R. (2020) Towards an inclusive energy transition in the European Union: Confronting energy poverty amidst a global crisis.

tenants within the private rented sector, who often have no agency of their own to implement measures in their household.

- Reviewing statutory protections — There is a need to ensure that existing consumer protections are maintained and strengthened. As Northern Ireland has a very small retail market in comparison to other countries it does not benefit from economies of scale. Therefore, we consider that the best way to protect domestic consumers (in particular those who may be vulnerable) is to maintain high standards of regulation, including price controls on the biggest supplier. There will also be a need to put in place protections for markets which may emerge from the rollout of new technologies.

**Q9. Do you agree with the proposed scope of the “one stop shop”? Please advise on any different activities you think should be included.**

The transition to decarbonisations represents a significant change in energy policy in Northern Ireland. Consumers will be required to change how they heat and power their homes. This will be a challenging journey for many households, as they will be required to learn new skills and adopt new behaviours to make efficient use of emerging technologies. To support this change provisions will be required to make the transition as simple as possible for energy users. This means **it is important to provide clear information, advice, and support for all.**

On the face of it a ‘one stop shop’ has potential to deliver against this need. However, there are many well established advice systems in place in Northern Ireland which consumers already trust. It will take time to develop this trust in any new service that is established. It will therefore be equally important to ensure that there is a joined-up approach to communication, with consistent messaging across multiple bodies (NIHE, Advice NI, Local Councils etc).

The strategy must also ensure no households should be left behind. **This means all advice and information must be equally accessible to vulnerable households and those not connected to the digital sphere.**

There is also a need for better education, on why and how the transition will happen, and what it will mean for households in practice. This will be needed across all consumer groups — including both young people and vulnerable individuals.

**Q10. Which approach do you think should be taken to create this organisation? Please outline your rationale.**

We believe that further scoping will be required to adequately assess the extent of the support householders will need. Undertaking this scoping exercise will help DFE accurately map the consumer journey during the transition, assisting the department in the design of a suitable body which can provide a wraparound service with all the necessary protections which this response has outlined.

A ‘One Stop Shop’ will perhaps be the first step that a householder experiences in the transition journey. It will therefore need to be an expert organisation, capable of either delivering the requirements of the service, or signposting to established pathways within all aspects of the work entailed. This will include quality information and advice, assessment

of home needs, predicted costs of energy and overall work. Expertise will be required from building trade, mortgaging policy, regulation, architecture, engineering, and practical construction.

All employees within the 'One Shop Stop' will need to be sufficiently trained if they are to offer reliable expert advice. This must include training in Energy Efficiency, Fuel Poverty, and identifying and supporting vulnerable consumers. We feel that this might be an area where NEA can best lend our expertise as one of the leading providers of domestic energy and fuel poverty training for over 30 years. We can offer both face to face and online tuition to enhance the quality of energy advice services nationwide. Our suite of training products are quality assured to BSI ISO:9001 and provide participants with an excellent opportunity to develop skills in understanding the issues which might impact on vulnerable, low income and fuel poor households, how to identify people who might need support, and critically how to deliver good quality, accurate advice around domestic energy and fuel debt either in the home, by phone or online.

As well as our existing suite of training we can create bespoke courses to respond to specific needs.

**Q11. Do you believe that additional financial assistance to protect certain groups of consumers should be introduced? If so, please identify what consumers should be targeted and what support would be needed.**

**NEA are calling for additional support to help tackle 'the worst first' during the energy transition.**

All households in Northern Ireland will need support to decarbonise, but it is paramount that those considered the most vulnerable are supported first and foremost. We know that approximately 43,800 households in NI are in extreme fuel poverty, which means they need to spend over 15% of their total income to heat their homes.

The Home Energy Conservation Authority (HECA) annual report shows a current annual investment of £21million in energy efficiency. NEA, along with the Fuel Poverty Coalition, believe the current levels of investment in energy efficiency need to be scaled up dramatically if Northern Ireland is going to successfully reducing carbon emission within the domestic sector.

**The strategy must ensure it works to eradicate 'postcode lotteries' by ensuring support is equally accessible to all households in Northern Ireland, regardless of location.**

**There is a need to ensure that existing consumer protections are maintained and strengthened.** As Northern Ireland has a very small retail market in comparison to other countries it does not benefit from economies of scale. Therefore, we consider that the best way to protect domestic consumers (in particular those who may be vulnerable) is to maintain high standards of regulation, including price controls on the biggest supplier.

## ‘Grow a green economy’

NEA recognise that the energy transition could create many opportunities for new economic activity, job creation and innovation in Northern Ireland.

We believe that a genuine green economy will not just deliver large scale centralised models of power generation but, will encourage and enable a diversity of solutions to match the needs of different communities and households in Northern Ireland. This might include new innovative approaches such as community and cooperatively owned power generation, micro grids and localised energy supply companies; all geared towards making use of Northern Ireland’s abundance of renewable energy sources.

Green homes and buildings will have a central role to play in a strong economic recovery and building back better from the coronavirus crisis<sup>5</sup>. The Framework in the consultation highlights the roll-out of new green heating technologies as an opportunity for the ‘growth of the green economy’. As highlighted above, we argue that improving energy efficiency of households needs to be considered as the ‘first fuel’. The emerging technologies will not offer affordable energy for many households in Northern Ireland without widespread energy efficiency improvements. For example, the current costs (both installation and running) of Heat Pumps can be considered prohibitive to most households in Northern Ireland. In a typically sized home that is efficient, installation of a heat pump could be £1,000 cheaper than for a home that is not and running costs would be significantly lower<sup>6</sup>.

Without the prioritisation of energy efficiency we have concerns that the new heating technologies being offered to unprepared homes will introduce vulnerabilities into the market.

**To combat this risk we are calling for a systematic and meaningful industry accreditation for all domestic energy efficiency improvements and heat technologies (both new and existing).**

Consumers will need trusted advice from an independent body. They will also need to trust in the standards / accreditation and responsibility of workmanship which needs to be very evident from the start. We believe that an oversight body should exist with powers to scrutinise the behaviour of this industry, to ensure accreditation and standards, to provide impartial but professional advice (rather than signposting) and provide accountability in home installations/ retrofitting. This service is needed at a local level to protect the consumer and to give consumers the confidence to move forward in this new direction.

With regard to skilling up a Green Economy workforce, experience shows that very often those opportunities don’t fall to those who need them the most. As the planning for this work advances, we underline the need for meaningful engagement with the communities where the work is to be carried out. There must be an emphasis on involving young and unemployed workers for apprenticeships and hands-on learning, building on work that has already been

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<sup>5</sup> Energy Efficiency Infrastructure Group (2020) From the Green Homes Grant towards a resilient Net Zero economy.

<sup>6</sup> Energy Efficiency Infrastructure Group (2020) ‘Energy efficiency’s offer for a net zero compatible stimulus and recovery’.

started in local areas. We call for regional balance in the investment in the learning resources. Engagement with the Department for Education and Department for Communities is essential.

While we appreciate that the continued role out of the natural gas network offers an opportunity to make quick carbon savings, we are unsure if this offers the best long term sustainable approach for consumers in Northern Ireland. We acknowledge that one of the primary drivers for the continued role out is to capitalise on Northern Ireland's modern gas network, a network which has seen upwards of £1b of investment. We also recognise that both hydrogen and biomethane gas offer cleaner alternatives in the long term. We do however have concerns about the significance given to these options within the framework documentation.

Our concerns stem from the lack of detail associated with these relatively new fuels. As of yet, there is not enough evidence to provide reliable information on their viability, cost effectiveness or security of supply to make an informed decision on whether these fuel sources are the best approach to heating homes in Northern Ireland.

What guarantees do we have for the security of supply of these new gases? How will the costs for consumers compare with existing natural gas prices? How will costs compare to other alternative heat sources including electrification? Will subsidies be required to make them affordable to consumers? Will hydrogen and biomethane gas be compatible with existing boilers, meters, and gas reliant appliances? These are important questions that need to be answered before consumers in Northern Ireland are asked to commit to the required home improvements that will be necessary to utilise these fuels.

**We call on the Department of Economy to commission an independent scoping exercise to evaluate the full costs and the viability of introducing Hydrogen and Biomethane gas in Northern Ireland.**

**Q12: Do you agree with the four identified priority clean energy sectors:**

- a) Energy efficiency
- b) Renewable energy
- c) Hydrogen economy
- d) Circular economy

As outlined above NEA recognise that the energy transition presents many opportunities for economic activity, job creation and innovation in Northern Ireland. Whilst we agree with the priority sectors identified in the framework, we have concerns that the hydrogen economy is being presented as a viable option without the necessary supporting evidence.

The electrification of heat offers a way for households in Northern Ireland to transition from fossil fuel based central heating systems to cleaner decarbonised alternatives. Currently 68% of NI households are reliant on heating oil, many of which are in rural areas and therefore less likely to be able to avail of gas. We know that the use of heating oil will need to be phased out of these homes over the next few decades.

We would like to see similar levels of support considered for alternative heat sources and community-based energy generation schemes.

Improving energy efficiency of homes should be considered the ‘first fuel’ as the most cost-effective means of reducing domestic carbon emission and alleviating fuel poverty. Increasing public investment on energy efficiency has the potential to unlock a number of wider social and economic benefits, which we outline in our comments on the ‘Do more with Less’ principle. To effectively deliver widespread improvements to home energy efficiency there is a need to support the development of a skills base within the sector. This will include the implementation of accredited standards to ensure the consistency and quality of measures installed.

## ‘Do more with less’

New and existing homes account for 20% of greenhouse gas emissions in the UK. Improving the energy efficiency of homes in Northern Ireland needs to be considered as a priority within the new strategy. We know that energy efficiency improvements offer a tried and tested cost-effective approach to alleviating the hardships on fuel poor households, whilst contributing to reducing household carbon emission.

It is estimated that poor insulation means around £1 in every £4 currently spent heating UK homes is wasted<sup>7</sup>. The Home Energy Conservation Authority (HECA) annual report shows a current annual investment of £21million on energy efficiency in Northern Ireland. To align with 2050 net zero commitments, it is estimated that policies would need to drive an annual peak of retrofits for over 50,000 buildings within the next decade<sup>8</sup>. By comparison, current energy efficiency programmes in NI deliver measures for approximately 16,500 buildings per year, indicating that a doubling or trebling is needed.

Whilst investment in energy efficiency will need to be dramatically scaled up if Northern Ireland is to have any chance of reaching Net Zero emissions, evidence shows that it is doable. Analysis by the Home Energy Conservation Authority found that the total cost of implementing measures to raise the SAP rating of approximately 390,000 eligible dwellings in Northern Ireland to at least SAP band C was £2.4 billion, with a mean cost of £6,200 per dwelling. NEA believe this is a realistic and deliverable target which should be adopted whole heartedly as part of the energy strategy.

To supplement the effectiveness of improving energy efficiency **the strategy needs to ensure it helps ‘the worst first’ and it should also seek to embed a fabric first approach to reduce needless space heating demand**. Without this, NEA is concerned that there will be a perverse incentive to install oversized low carbon heating technologies which would be more expensive for the occupants to run.

Increasing public investment on energy efficiency has the potential to unlock a number of wider social and economic benefits including;

- Reducing the burden on the health system and increasing the quality of service in the NHS. This will be achieved by reducing the number of households in fuel poverty, and

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<sup>7</sup> Marmot Review Team (2011) *The Health Impacts of Cold Homes and Fuel Poverty*

<sup>8</sup> Department for Economy (2020) *Research into the Future of Energy Efficiency Policy in Northern Ireland*.

therefore lowering their risks of associated ill health and preventing the need for medical intervention.

- Strengthening the economic recovery through supporting the creation of long term jobs. According to the Department for Business, Energy & Industrial Strategy (BEIS), the Green Homes Grant (GHG) in England will support 100,000 jobs in green construction<sup>9</sup>. Additional funding for fuel poor households to upgrade their homes could help support these jobs well into the 2020s. The skills required for these jobs will equip the workforce for further progression towards net zero, as more homes look to increase their energy efficiency.
- Improving economic circumstances across NI by reducing household running cost and freeing up disposable income. Public money spent on energy efficiency in this way means more money saved for householders. This saving means more spending power, which often means greater spending in local areas, therefore helping to 'level up' local economies. As fuel poor homes are often found in areas that have suffered detriment, this has the effect of increasing economic activity in those areas that need it most.
- Strengthening research, innovation (in the form of technological, financial and regulatory innovation) and manufacturing bases. All of which will be needed for a successful national rollout of energy efficiency upgrades.

It should be recognised that a number of new renewable heat technologies, such as heat pumps, are only feasible in energy efficient homes. Improving the energy efficiency of households in Northern Ireland will give consumers a greater range of options as they transition towards decarbonised heat.

**Northern Ireland needs energy efficiency targets to ensure progress in this area can be monitored. These targets must be at least equal to, if not more ambitious than, the targets established in England.** The energy efficiency-based Fuel Poverty (England) Regulations 2014 require the UK government to ensure all fuel poor homes in England achieve a minimum energy efficiency rating of Band C by 31 December 2030.

### **Q23. Do you agree that an energy savings target should be set for Northern Ireland?**

Yes — as discussed above NEA are fully supportive of energy savings targets being set for Northern Ireland. These targets will provide a legal underpinning against which progress can be monitored. It is important that any targets must be clear and show adequate ambition. We believe an energy saving target should be at least equal to, if not more ambitious than, the targets established in England and Wales.

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<sup>9</sup> Homeowners to see savings available under new Green Homes Grant scheme, Press Release Published by Department for Business, Energy & Industrial Strategy, accessed online: <https://www.gov.uk/government/news/homeowners-to-see-savings-available-under-new-green-homes-grant-scheme#:~:text=Announced%20in%20August%2C%20the%20Green,100%2C000%20jobs%20in%20green%20construction.>

**It is important that we stress that we do not support targets aimed at reducing consumption, but rather those which drive improvements in the energy efficiency of buildings.** NEA is extremely concerned that a metric based on reducing consumption will result in colder, not warmer, homes due to energy rationing. This could present significant risks to fuel poor households who often ration their usage and underheat their homes.

Furthermore, any measurement of a reduction in energy usage is reliant on establishing an accurate baseline for individual households. This would be extremely challenging in Northern Ireland, especially adjusting for variations in weather/outside temperatures, wider price impacts or disaggregating the contribution of other domestic energy efficiency programmes or household generation such as solar panels. Measuring energy usage to determine success would also be expensive to administer due to the significant challenges of verification and monitoring behaviour change initiatives. NEA believes that this money is better spent on measures to help households rather than verification of a metric.

NEA believe that EPC targets would be a more viable indicator for setting these energy savings targets. Whilst NEA recognises that Energy Performance Certificates (EPCs) should evolve and respond to some of the well-known issues within the current Standard Assessment Procedure (SAP) methodology that underpins the scoring, BEIS has recently released an action plan<sup>10</sup> to significantly improve the reliability of EPCs in the 2020s.

**Q24. Do you agree that Minimum Energy Efficiency Standards should be set to drive improvements in energy efficiency? If so, what buildings should be the early priorities for introducing minimum standards?**

Yes — NEA agree that Minimum Energy Efficiency Standards (MEES) should be set for Northern Ireland. Minimum Energy Efficiency Standard targets will help drive improvements in energy efficiency, which should be considered the most cost-effective approach to reducing carbon emissions.

As a priority these targets should be applied to all new build homes. These homes will still exist in 2050 and therefore we must ensure that the energy efficiency standards we set for them put us on track to meet the 2050 target. We know the overall SAP rating was 65.83 rising to 66.32 for occupied dwellings<sup>11</sup>.

We also believe setting MEES will be particularly important within Private Rented sector accommodation. People living in Private Rented Sector (PRS) housing often have little or no agency about their payment type, their heating type and which energy efficiency measures they have installed in their rental property; yet they often pay the energy bill. This means tenants, are likely to see higher energy costs and therefore more exposure to the policy costs of the energy strategy.

Landlords equally should be supported in meeting these targets through having access to energy efficiency grant schemes. These schemes should be adequately funded and cover a

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<sup>10</sup> BEIS (2020) Energy Performance Certificates For Buildings. Accessed online: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/922660/EPC\\_Action\\_Plan.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/922660/EPC_Action_Plan.pdf)

<sup>11</sup> Northern Ireland Housing Executive (2016) HCS.

significant portion, if not all cost, of any energy efficiency improvements required. Currently, landlords must contribute to 50% of the costs for any measure implemented through the NISEP and Affordable Warmth programmes. These costs act as a barrier for many landlords meaning take up is negligible. Consequently, it is the tenants who suffer the impacts of living in colder damp homes.

**NEA recommends that a legislative framework and complementary policy is required to incentivise landlords to comply with the new standards (while ensuring that residents are adequately protected), penalise those who fail to comply, and help local authorities to enforce against non-compliance.**

**Q27. Do you agree that we should introduce a pilot domestic retrofit scheme by spring 2022, followed by a substantive scheme as part of a “one stop shop” approach? If so, what changes are needed to the wider energy efficiency support landscape to ensure a joined-up approach?**

**As a matter of priority NEA would like further information to be provided on the plans for the existing programmes including NISEP and Affordable Warmth programmes. The support these programmes provide to vulnerable households cannot be underestimated and as such we are calling for a guarantee that this support will be retained or enhanced.**

We would welcome a pilot domestic retrofit scheme; but we stress that it is crucial that the new strategy ensures there are no gaps between the current iterations of these schemes and any future iterations or alternative schemes.

High quality installation standards and advice go hand in hand. Households need reliable advice and information to allow them to back the best decision relevant to their homes. As such embedding a substantive scheme within the ‘one stop shop’ seems like a sensible approach.

**Q28. Do you agree that we should ring-fence the PSO funding for vulnerable consumers including the fuel poor? Please advise on changes you believe should be made to the level and scope of the PSO for energy efficiency.**

Yes — Since 2002, as a result of a consultative process and a concerted campaign by NEA NI, the majority of the funding (80%) has been targeted at vulnerable customers in Northern Ireland. Subsequent consultations have substantiated the view that this level of funding (as a minimum) for vulnerable customers should remain whilst fuel poverty levels in Northern Ireland remain high.

**We believe that PSO funding should be 100% ringfenced for the benefit of vulnerable consumers and that it should be drawn from both domestic and non-domestic electricity consumers.**

**Q29. Do you believe that green private finance solutions have a role to play in supporting domestic consumers to invest in energy efficiency? If so, what specific green finance solutions should be explored?**

Whilst green private finance solutions might have a role to play in supporting domestic consumers to invest in energy efficiency, we do not believe they are suitable for fuel poor households and other vulnerable consumers. Energy efficiency measures need to be fully funded for fuel poor households if DFE is to ensure a just transition.

**Q32. Do you agree that we should seek to develop skills and capability, enhance quality assurance and standards, and use an accreditation body to provide guarantees on work undertaken by the energy services for retrofit sector? If so, how can we help to prepare the sector for these changes?**

Yes — It will be important to ensure that the highest retrofit standards are applied to all work carried out under Government programmes, so that measures implemented deliver the expected benefits and do not lead to unintended negative impacts for householders because of poor installation practice.

**Q33. Do you agree that information, awareness, and behavioural change should be a key strand of future energy efficiency support? If so, what are the key behaviours that should be targeted?**

Yes — The transition to Net Zero will require a huge change for most if not all households in NI. To support households in making this change education on new technologies, climate change, energy efficiency and behavioural change will all be required.

**We highlight the importance of timely advice delivered, in home, at the same time as energy efficiency interventions.** Face to face energy advice is widely acknowledged as essential by practitioners<sup>12</sup> and researchers<sup>13</sup>, as well as more recently by the UK Government with the Bonfield Review which addresses energy efficiency consumer advice and protection, standards and frameworks for enforcement.

Face-to-face advice not only helps to ensure that beneficiary households can effectively use any new technology, it can also help to ensure that beneficial behaviours are adopted, and any energy-related problems or challenges can also be addressed.

## ‘Replace fossil fuels with indigenous renewables’

At present, Northern Ireland has the highest level of dependency on high-carbon fossil-fuel across the UK — with 68% of households dependent upon home heating oil<sup>14</sup>. Replacing these fossil fuels whilst keeping household energy costs down will be one of the biggest challenges to ensuring a Just Transition.

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<sup>12</sup> NEA (2012) Green Deal and Energy Company Obligation: The design and delivery of energy efficiency and fuel poverty advice services to vulnerable citizens. Funded by DECC. Available at: [http://www.nea.org.uk/wp-content/uploads/2016/02/02-NEA-2012-GD\\_advice.summary.FINAL\\_.pdf](http://www.nea.org.uk/wp-content/uploads/2016/02/02-NEA-2012-GD_advice.summary.FINAL_.pdf).

<sup>13</sup> 15 Jacques, B. et al (2016) Relationship experts - Behaviour Change and Home Energy Coaching. Funded by the Welsh Government. Available: [http://www.nea.org.uk/wpcontent/uploads/2016/07/Relationship-experts\\_final-report.pdf](http://www.nea.org.uk/wpcontent/uploads/2016/07/Relationship-experts_final-report.pdf).

<sup>14</sup> Home Energy Conservation Authority (2020) Annual Report.

Currently there is a lot of uncertainty for consumers who will likely be asked to make significant changes. This is a live issue as each year in the social housing sector upwards of 1800 boilers are replaced annually. Even necessary upgrades to domestic appliances such as cookers will act as a barrier. Many households will be wary of committing to new technologies as it is unproven with no history of stable pricing. The solution to this will be evidence of convenience, of cost saving and a hand-holding process. **This will require investment in pilot projects which can be used to capture evidence/testimonials from householders and to demonstrate success to consumers.**

It is also worth highlighting how setting an end date for fossil fuel boilers in homes and implementing a date for the changes has been done in GB and ROI and has had a major impact on triggering industry response.

**Q36. Do you agree with the criteria identified that would allow to consider any future increases in the renewable electricity target?**

- a) **Projects can be delivered in a cost-effective manner.**
- b) **Offshore wind can be delivered by 2030.**
- c) **Storage technologies can minimise system curtailment of renewables.**
- d) **Greater clarity on electricity demand for heating and transport.**
- e) **Consumers bills are not disproportionately impacted.**

**If not, what alternative criteria might be used?**

**Whilst NEA broadly agree with the criteria identified above, we stress that fuel poor households cannot end up being disproportionate sponsors of hitting the renewable electricity target. It is imperative that there is a fair distribution of the cost of decarbonisation with those on the lowest income protected.**

**Q37. Do you agree that we should explore with BEIS the possibility of extending the Contracts for Difference scheme to Northern Ireland? If so, what terms would be needed to ensure generation in the region whilst protecting consumers?**

We are unable to agree with any proposal to extend the BEIS Contracts for Difference scheme to Northern Ireland without a clear understanding of how much extending the Contracts for Difference scheme would cost Northern Ireland consumers and in particular the impact of the additional cost on fuel poverty and vulnerable domestic consumers. Before agreeing or disagreeing we would also need to see clear evidence of:

1. How much additional renewable generation would be deployed in Northern Ireland as a result of the extension?
2. What type of new renewable generation would be deployed?
3. What are the additional costs (other than the direct cost of the CfD scheme) that would be associated with the type of new renewable generation likely to be deployed (e.g. grid costs etc)?

Before any decision is taken regarding the extension of the CfD scheme to Northern Ireland we would expect to see.

1. A ringfence for Northern Ireland to ensure that a minimum capacity of Northern Ireland generation is successful in the CfD auction.
2. Guarantees from DfE that the CfD option provides best value for money to Northern Ireland consumers against other potential options.
3. Further information and assurances regarding governance arrangements and compatibility with SEM.

**Q43. Do you believe that there should be a requirement for renewable developers to share some of the financial benefits of developments with local communities? If so, what share do you think would be reasonable? If not, please provide your rationale.**

Yes — renewable energy developers should be required to share financial benefits of developments with local communities. The energy transition offers a once in a lifetime opportunity to reimagine our energy system in Northern Ireland and put people at the heart of it. All new developments should be encouraged to contribute to the development of a circular economy in Northern Ireland. This means making sure that natural assets generate wealth for all residents and not simply for private interests.

Requiring developers to give back to communities in Northern Ireland will help foster a Community Wealth Building (CWB) approach within the energy system, which in turn will contribute to more resilient communities. CWB is an integrated collaborative approach to transforming the local economic strategy where the local community is the main beneficiary. It harnesses the power of anchor institutions which have significant wealth to shift local economic development in favour of procuring locally, encouraging sustainable work practices, and living wage employment, and offering services that benefit residents.

**Q44. Do you agree with taking separate approaches to on-gas grid and off-gas grid consumers? If not, what approach should be taken?**

There is no one size fits all option. It will be important that each household/consumer receives advice that adequately supports the household. Flexibility in approach is required. Challenge for decarbonisation of heat (68% on oil).

**Q47. Do you believe that the role of heat pumps will be different depending on whether consumers are on or off the gas grid? Please outline what you think the specific roles should be.**

Heat pumps are probably the major option for all the homesteads that are off grid and reliant on unregulated oil. Installing a typical air-source heat pump system costs around £9,000 — £11,000<sup>15</sup>. Running costs will vary depending on several factors including the size of the home, how well insulated it is, and what room temperatures householders are aiming to achieve. The Energy Saving Trust estimate that the potential annual savings of installing a standard air source heat pump (in an average sized, four-bedroom detached home) to be between £200 and £230 when compared to the cost of a typical non-condensing oil boiler. **Widescale**

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<sup>15</sup> Energy Saving Trust: <https://energysavingtrust.org.uk/advice/air-source-heat-pumps/>.

**adoption is unlikely until the cost comes down or until there are sufficient grants in place.**

It needs to be recognised that heat pumps will not be suitable to all dwellings, especially those that are not well insulated. They are not cheap to install (as detailed above) and their running costs can also be significant. That said, it needs to be one of the long-term solutions that will fall into place when economies of scale bring down costs, when homeowners are more comfortable with the tech aspect, and when electricity generation has been increased.

Consideration of energy/fuel payment type will also be required. Heat Pumps are not reliable for households making use of Pre-payment meters.

**Q51. Do you agree that the local Gas Network Operators should develop and publish a plan to decarbonise gas out to 2050? If so, what key issues must be considered within it?**

**As outlined in our response to the ‘Grow a Green Economy’ principle we are calling on the Department of Economy to commission an independent scoping exercise to evaluate the full costs and the viability of introducing Hydrogen and Biomethane gas in Northern Ireland.**

Until these costs are fully explored it will not be possible to make an informed decision on the future of the gas network in Northern Ireland.

**Q52. Do you agree that the sale and installation of new oil boilers should not be allowed for consumers on the gas grid? Please outline your rationale and, if you agree, what a viable timeline for introducing this might be?**

NEA accept that the banning of these boilers is inevitable unless the fuel can be decarbonised. The important thing is that there is sufficient support for households that use these boiler types to move to low carbon heating. For fuel poor households, this must mean fully grant funded new heating systems, potentially some help with the increased energy costs, an information campaign to raise awareness of the ban and support available, and good quality advice not only to help them choose the right tech, but also to guide them through installation and usage.

**Q53. Do you believe that off-gas grid consumers should have the option to retain oil boilers for use with biofuels? If not, what is a viable timeline for introducing a ban on the use of all oil boilers?**

Yes, but as above it is important that there is sufficient support for householders to move to lower carbon heating (in this case the fuel type itself).

**‘Create a flexible and integrated energy system’**

We believe a flexible energy system that integrates a range of renewables offers Northern Ireland the best chance of achieving Net Zero emissions. We also welcome the drive to introduce smart and digital technologies. This offers many benefits for householders including improved energy efficiency and access to the most competitive tariffs.

**The strategy will need to ensure it includes those who are less capable (digitally) and those who are vulnerable, including older people, those in areas of poor connectivity, and those who have no experience in using advanced digital controls.**

There is a need for targeted awareness campaigns to successfully persuade consumers to adopt the new technologies; and to teach them how they operate and what benefits they can bring. This will be time and effort intensive. People who do not engage with updated technology end up paying more, which we ultimately want to avoid.

Most electricity consumers in Northern Ireland use pre-payment meters. Many of those who purchase oil do so using oil stamps and voucher schemes. Pre-payment meters as they are now cannot accommodate heat pumps. This agenda introduces a new vulnerability. This must be tackled upfront and with speed given the size and scale of prepayment meters in Northern Ireland. For example, if someone is unable to afford credit for their meter, or simply have forgotten to top up- will their heating system be disconnected? How will these impact on the household and how long before that home has heat?

In the past people who could not afford fuel bills could use a tie over of buying one barrel of oil or buying a bag of coal. This option will no longer be available. How can the new technologies enable micropayments for access to energy?

Innovation could enable low income and vulnerable (LIV) consumers to participate in a smart, flexible energy market. There are however additional risks that could emerge for these consumers as a smart energy market develops including:

- Consumers may not be able to afford to purchase smart products and services
- Consumers may not benefit from smart products and services
- Consumers face greater risks if the product or service fails to work as expected
- Lack of data access reduces how much consumers benefit
- Unequal distribution of system costs
- LIV consumers experience problems that may impede the emergence of a smart energy

**Q66. Do you agree that the Electricity Network and System Operators should produce a pathway to creating a flexible and integrated energy system? If so, please provide evidence to demonstrate what the initial priorities of such a plan be?**

As the electricity Transmission System Operator (TSO) for Northern Ireland, SONI has a critical role to play in the delivery of Northern Ireland energy policy and enabling a successful energy transition.

To effectively achieve decarbonisation, communities in Northern Ireland should be supported and empowered to pursue community energy generation where appropriate, as a means of capitalising on Northern Ireland's natural abundance of renewable energy sources. Communities with the capacity for energy generation should be able to both avail of additional energy from the grid and sell surplus energy via the grid. We believe SONI should be planning to support this type of energy production to encourage a circular economy in Northern Ireland, foster Community Wealth Building and ensure that consumer funding is spent on long term solutions to Climate Change.

**Q68. Do you believe that further interconnection will be needed in the future? If so, is a new revenue mechanism needed to bring forward this investment?**

We recognise that the transition to a low carbon economy will require a huge investment in the grid infrastructure. It will however also require investment in alternative means of heating and powering homes in Northern Ireland, as well as for energy efficiency retrofit programmes to maximise the potential of emerging new technologies such as heat pumps.

The public will have to make a big contribution to these costs, either through higher bills or through general taxation. Any additional cost to household energy runs the risk of pushing vulnerable households into fuel poverty and worsening the conditions for those already impacted.

One of the key concerns with the current approach to energy policy is the impact of recovering the costs of many energy policies by adding levies to consumer's energy bills. Policy costs faced by domestic consumers and how these costs are subsequently recovered via bills has a big impact on fairness<sup>16</sup>. Some consumers face stark challenges paying for policy costs as they are usually recovered in a flat rate within standing charges. This is particularly acute for pre-payment customers as these charges must be paid for upfront before these households can access any units of energy. In addition, VAT is recovered on the whole energy bill, including on the proportion of the bill which pays for environmental costs.

**Is it the case households will essentially be double taxed for policies, with both forms of tax failing to take any account of household income?**

**Q71. Do you agree that a policy framework should be put in place to enhance access to and use of consumer data? If so, please outline key considerations that need to be factored into this framework.**

It is widely recognised that "data" will be a key enabler of the energy transition generally, and in particular to realising consumer benefits from that transition. Data is of course important in our current energy sector but will become increasingly important and valuable as our energy sector transitions.

**Data issues are a key policy area that should be considered in relation to the development of a consumer-centric approach to the energy strategy and transition.**

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<sup>16</sup> John Barrett, Peter Taylor and Anne Owen (2018) Funding a Low Carbon Energy System: a fairer approach?

**Q72. Do you believe that we should take forward the Energy Data Taskforce recommendations in Northern Ireland? If so, please advise on key differences with Great Britain that need to be factored in.**

Yes, especially the following;

- Maximising the Value of Data — which could have benefits for fuel poor households, for example better understanding when they might self-disconnect.
- Visibility of Data- which would mean that third parties such as ourselves could access the data and help us with our charitable endeavours.

**Q73. Do you agree that a Cost Benefit Analysis of smart meters should take into account the broader benefits they can bring to consumers as an enabler of energy data and a smart system? If the CBA for smart meters is not positive, what alternative approaches can be taken to deliver these benefits for consumers?**

Yes — The cost Benefit Analysis should consider the broader benefits associated with consumer behaviour change and reduced energy bills, including freeing up disposable income and improved health and wellbeing associated with better use of home energy systems.

SMART Meters are a useful and important tool for encouraging consumers to adopt behavioural change. Studies from the UK have found that 44% of consumers had reduced energy bills following the installation of a smart meter in their home, and 43% were more likely to turn down the heating or switch off their lights<sup>17</sup>.

**Q76. Do you believe that a new regulatory framework is needed to protect consumers who engage in decentralised arrangements? If so, what consumer protection measures should be part of this?**

Yes — this will be one of the challenges associated with the energy transition, but it must be overcome.

**Q77. Do you believe that energy communities have a role to play as part of the energy transition? If so, what support is needed to progress these? If not, what are the alternatives?**

We believe a flexible energy system that integrates a range of renewables offers Northern Ireland the best chance of achieving Net Zero emissions. To effectively achieve decarbonisation, communities in Northern Ireland should be supported and empowered to pursue community energy generation where appropriate, as a means of capitalising on Northern Ireland's natural abundance of renewable energy sources. Communities with the capacity for energy generation should be able to both avail of additional energy from the grid and sell surplus energy via the grid. We believe DFE should be planning to support this type of energy production to encourage a circular economy in Northern Ireland.

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<sup>17</sup> ECTA (2017) Smart meters: the consumer view

A flexible energy system which incorporates community energy generation can contribute to the economic recovery by ensuring income from energy production is reinvested within local communities.

### **Summary of our response**

- The new energy strategy offers an opportunity to tackle fuel poverty in Northern Ireland head on, by driving up domestic energy efficiency, creating a flexible energy system and putting consumers at the heart of energy policy decisions. We hope this strategy will be the catalyst for change, inspiring decades of delivery which help shape a more equitable energy system in Northern Ireland.
- We recognise the work that has been undertaken to produce the framework, however we believe there is still a need for much more analysis to ensure policy makers are equipped to make informed decisions. Specifically, we are concerned with the lack of detail provided on the affordability of the options outlined in the framework, and the subsequent impact that investment in these policy options might have on consumers.
- Energy policy in Northern Ireland is set to embark on the most dramatic period of change in Northern Ireland's history. Whilst this change will bring many opportunities for energy consumers including; access to clean fuels, the roll out of new home heating technologies and improvements to the existing energy infrastructure, it also presents a number of challenges and risks that consumers will need support to overcome.
- Ensuring that the most vulnerable households are supported through this transition is our primary concern. We know that cold, damp and unhealthy homes cause acute unnecessary hardship, resulting in a number of health impacts, further strain on the local NHS provision, and can lead to premature mortality. We are calling for the Department for Economy to adopt the principles of 'helping the worst first' and the 'fabric first' approach within the new energy strategy. This will be the best way to start the journey towards a just transition in Northern Ireland.
- NEA are seeking reassurances that the final Energy Strategy will fully investigate the impact of the transition on affordability for low income and vulnerable households in Northern Ireland.
- One of the key concerns with the current approach to energy policy is the impact of recovering the costs of many energy policies by adding levies to consumers' energy bills. Policy costs faced by domestic consumers and how these costs are subsequently recovered via bills has a big impact on fairness.
- Some consumers face stark challenges paying for policy costs as they are usually recovered in a flat rate within standing charges. This is particularly acute for pre-payment customers as these charges must be paid for upfront before these households can access any units of energy.

- We are calling for a cross departmental collaborative approach to be adopted to ensure that Fuel Poverty is an integral part of the Energy Strategy, and that our energy policy delivers an affordable, secure, and sustainable energy system for all households in Northern Ireland. To ensure this approach is adopted NEA are calling on the NI Executive to produce a new Fuel Poverty strategy for Northern Ireland by the end of 2021.
- We welcome the inclusion of commitments to protect consumers through the energy transition. It is encouraging to see that both affordability and fairness will be key considerations in the department's policy decisions.
- We welcome the inclusion of domestic vulnerable consumers as a category within the framework. Vulnerable households perhaps stand to gain more from the successful implementation of a new energy strategy in Northern Ireland than any other grouping. A Just transition offers a once in a generational opportunity to tackle energy inequalities head on and eradicate fuel poverty in Northern Ireland.
- We believe that Energy Efficiency should be considered the number one priority to enable everyone to reduce their carbon emissions. The Energy Strategy needs to ensure that sufficient funding is provided for energy efficiency schemes that help those who need the most support. Within this we believe there is a need for a particular focus on supporting tenants in the private rented sector.
- The NI Executive should resource a comprehensive and accessible energy efficiency programme, based on a Whole House Solution and the 'Worst First principle'. All fuel poor households must receive support to upgrade their homes at no extra cost. To supplement the effectiveness of improving energy efficiency the strategy must also seek to embed a fabric first approach.
- Whilst investment in energy efficiency will need to be dramatically scaled up if Northern Ireland is to have any chance of reaching Net Zero emissions, evidence shows that it is doable. Analysis by the NIHE's Home Energy Conservation Authority found that the total cost of implementing measures to raise the SAP rating of approximately 390,000 eligible dwellings in Northern Ireland to at least SAP band C was £2.4 billion, with a mean cost of £6,200 per dwelling.
- As a matter of priority NEA would like further information to be provided on the plans for the existing programmes including NISEP and Affordable Warmth programmes. The support these programmes provide to vulnerable households cannot be underestimated and as such we are calling for a guarantee that this support will be retained and enhanced. We would welcome a pilot domestic retrofit scheme; but we stress that it is crucial that the new strategy ensures there are no gaps between the current iterations of these schemes and any future iterations or alternative schemes.
- The strategy must ensure it works to Eradicate 'postcode lotteries' by ensuring support is equally accessible to all households in Northern Ireland, regardless of location.

- We support the setting of targets on the minimum energy efficiency standards of fuel poor homes.
- It is important that we stress that we do not support targets aimed at reducing consumption, but rather those which drive improvements in the energy efficiency of buildings. NEA is extremely concerned that a metric based on reducing consumption will result in colder, not warmer, homes due to energy rationing. This could present significant risks to fuel poor households who often ration their usage and underheat their homes.
- There is a need to ensure that existing consumer protections are maintained and strengthened. As Northern Ireland has a very small retail market in comparison to other countries it does not benefit from economies of scale. For this reason, we consider that it is unlikely to attract enough suppliers for competition alone to form the basis of consumer protection (in particular in relation to vulnerable or low income customers). Therefore, we consider that the best way to protect domestic consumers (in particular those who may be vulnerable) is to maintain high standards of regulation, including price controls on the biggest supplier. Where new technologies and markets emerge, regulations should be updated to ensure there are no gaps or unintended consequences.
- The transition to decarbonisations represents a significant change. Consumers will be required to change how they heat and power their homes. This will be a challenging journey for many households, as they will be required to learn new skills and adopt new behaviours to make efficient use of emerging technologies. To support this change provisions will be required to make the transition as simple as possible for energy users. This means it is important to provide clear information, advice, and support for all.
- The strategy must ensure all households have access to high quality information and practical support to allow them to successfully transition to decarbonisation. Independent and meaningful information will be key to enabling people to act. Helping householders throughout the energy transition through direct action, advice and 'hand holding' will all be required.
- The strategy must also ensure no households should be left behind. This means all advice and information must be equally accessible to vulnerable households and those not connected to the digital sphere.
- NEA recommends that a legislative framework and complementary policy is required to incentivise landlords to comply with the new standards (while ensuring that residents are adequately protected), penalise those who fail to comply, and help local authorities to enforce against non-compliance.
- While we appreciate that the continued role out of the natural gas network offers an opportunity to make quick carbon savings, we are unsure if this offers the best long term sustainable approach for consumers in Northern Ireland. We have concerns that the hydrogen economy is being presented as a viable option without the necessary supporting evidence.

- Our concerns stem from the lack of detail associated with these relatively new fuels. As of yet, there is not enough evidence to provide reliable information on their viability, cost effectiveness or security of supply to make an informed decision on whether these fuel sources are the best approach to heating homes in Northern Ireland.
- We therefore call on the Department of Economy to commission an independent scoping exercise to evaluate the full costs of the viability of introducing Hydrogen and Biomethane gas in Northern Ireland.
- We believe that PSO funding should be 100% ringfenced for the benefit of vulnerable consumers and that it should be drawn from both domestic and non-domestic electricity consumers.
- We believe a flexible energy system that integrates a range of renewables offers Northern Ireland the best chance of achieving Net Zero emissions.
- We also welcome the drive to introduce smart and digital technologies. This offers many benefits for householders including improved energy efficiency and access to the most competitive tariffs.
- The strategy will need to ensure it includes those who are less capable (digitally) and those who are vulnerable, including older people, those in areas of poor connectivity, and those who have no experience in using advanced digital controls.

We thank you for the opportunity to respond to you with these comments.

**Response submitted by:**

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