



Action for Warm Homes
Northern Ireland

National Energy Action NI
Response to

Utility Regulator Draft Forward Work
Programme 2022-23

February 2022



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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 consumers 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 Survey¹, 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.

Energy prices have undergone an unprecedented rise during 2021, and this looks set to continue for at least 18 months. We know that 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. These pressures are further amplified by the ongoing energy crisis, which has seen fuel prices soar to record levels.

¹ Northern Ireland Housing Executive (2016) House condition survey: <https://www.nihe.gov.uk/Documents/Research/HCS-2016-Main-Reports/HCS-Main-Report-2016.aspx>

Unfortunately, this means that many households in Northern Ireland face the prospects of living in cold homes for long periods of time, especially during the winter months. Homes play a crucial role in ensuring the health and well-being of individuals and households, and NEA believe that everyone in Northern Ireland should be entitled to live in a warm, safe, and healthy home.

We know that the cold kills. The Northern Ireland Statistics and Research Agency (NISRA) estimate that the Excess Winter Deaths (EWD) for 2020/21 was approximately 1,120². The same report details that there were 6,340 deaths in Northern Ireland in the winter period of 2020/21, which is the second highest number of winter deaths in the last 10 years.

Studies show there is a relationship between EWDs, low thermal efficiency of housing and low indoor temperatures³. EWDs are almost three times higher in the coldest quarter of housing than in the warmest quarter. We know that deaths from cardiovascular diseases are directly linked to exposure to excessively low indoor temperatures for long periods of time. This is because temperatures below 12 degrees Celsius result in raised blood pressure⁴. There is increasing evidence to show that children living in cold homes are more than twice as likely to suffer from a variety of respiratory problems than children living in warm homes. Exposure to cold increases the level of minor illnesses such as colds and flus and exacerbates existing conditions such as arthritis and rheumatism⁵. To put it simply, we know warm homes are vital for ensuring good health and wellbeing.

NEA believe that Department for Economy's 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 the strategy will be the catalyst for change, inspiring decades of delivery which will help shape a more equitable energy system in Northern Ireland.

Response

NEA welcome the opportunity to respond to the Utility Regulator's Draft Forward Work Programme (FWP) 2022–2023. NEA work closely with the UR across many aspects of our work, but especially in relation to consumer protection and policy development. We value the strong working relationship we have developed and look forward to continuing to work together in the coming years as we strive to eradicate fuel poverty in Northern Ireland.

NEA broadly agree with the context that the paper outlines and we believe the projects identified are required. We have made some comments around the objectives in the draft Forward Work

² Northern Ireland Statistics and Research Agency (NISRA), Excess Winter Mortality NI Report 2020-21. Accessed online: https://www.nisra.gov.uk/system/files/statistics/Excess%20Winter%20Mortality%20Report%202020_21.pdf

³ Marmot Review Team (2011), The Health Impacts of Cold Homes and Fuel Poverty

⁴ Department of Trade and Industry (2001), The UK Fuel Poverty Strategy. London: DTI.

⁵ El-Ansari W and El-Silimy S (2008) Are fuel poverty reduction schemes associated with decreased excess winter mortality in elders? A case study from London, UK. *Chronic Illness*, 4(4), pp.289–294.

Programme and have included some suggestions which we feel are worthy of consideration and may enhance the Forward Work Programme 2022–23.

With the launch of the Department for Economy’s new Energy Strategy, 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 for which consumers will need support to overcome. This is a pivotal moment for the energy sector and in particular, the UR. In this changing landscape, it is crucial that the UR protects low income and vulnerable consumers and that the costs of these changes are fairly distributed across energy bills. All those contributing to the change should benefit from the decarbonisation agenda.

In general, NEA believe there is a need to ensure that existing consumer protections (across all utilities) are maintained and strengthened. In comparison to other countries Northern Ireland has a very small retail market and therefore 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. Therefore, we consider that the best way to protect domestic consumers (and in particular those who may be vulnerable) is to maintain high standards of regulation, including price controls on the biggest supplier.

Crucially we believe that where new technologies and markets emerge, regulations should be updated to ensure there are no gaps or unintended consequences for consumers. NEA will continue to urge the Department for Economy to work with the Utility Regulator, Consumer Council and wider stakeholders to identify and plug any ‘gaps’ in consumer protections that emerge as the energy system changes.

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. It is our belief that all households in Northern Ireland will need support to decarbonise, but it is of paramount importance that those considered the most vulnerable are supported first and foremost and the UR can and should play a significant role in ensuring this process.

NEA believe that energy efficiency should be considered the ‘first fuel’. We know that energy efficiency improvements offer a tried and tested cost-effective approach to reducing household energy consumption, whilst also alleviating the hardships on fuel poor households and contributing to ensuring warm, safe, and healthy homes. The emerging technologies will not offer affordable energy for many households in Northern Ireland without widespread energy efficiency improvements. Fixing Northern Ireland’s cold, damp and leaky homes will therefore be imperative if we are to ensure a ‘just transition’. Doing so will assist in unlocking several wider social and

economic benefits, lifting households out of fuel poverty, reducing the burden on the NHS and freeing up household incomes which can be reinvested in their local communities.

At this point we wish to reiterate the importance of programmes such as the Northern Ireland Sustainable Energy Programme (NISEP) in addressing fuel poverty in the longer term. NEA's Energy Justice Campaign (EJC) has worked persistently to highlight the importance that the NISEP continues to play as a key intervention in improving energy efficiency, particularly in vulnerable households. We therefore consider it a matter of priority that further information be provided on the plans for the existing NISEP. The support the programme provides to vulnerable households cannot be underestimated and as such we reiterate our call to keep the NISEP in place until such times as an alternative scheme is developed.

NEA welcome the commitment to complete a project on domestic consumer experience of debt. This research project will provide a useful tool to inform interventions to support domestic consumers. This will be of particular value in the context of the ongoing energy price volatility which looks set to continue for the foreseeable future. However, NEA would also like to see further efforts to obtain more detailed information and data around vulnerable consumers' use of pre-payment meters and the levels of self-disconnection in Northern Ireland. With currently 45% PPM customers in the electricity market and 62% in Gas Greater Belfast and 82% in Gas Ten Towns, we believe there is a need for further exploration into the range of aspects of coping with a PPM. To date we still don't have enough information to adequately assess the degree of self-disconnection, rationing, consumer behaviour, accessibility, ease of use, PayPoint issues and many other aspects. This project should also look at other programmes to tackle debt such as through extending the use of Fuel Direct.

We are pleased to see a commitment to put in place a customer focused framework to deliver a digitalisation strategy for the electricity network. SMART Meters have been shown to make a positive impact for fuel poor homes in the UK and it is an area in which Northern Ireland has been caught lagging. There is however also a need to tackle the gas network, where many consumers are stuck with outdated meter boxes. The Pandemic shone a spotlight on the inadequacy of the 'dumb' gas PPM's, which included the need to physically top up with an individual needing to take the prepayment card to a PayPoint, the maximum vends of £49, the individual needing to take the card to the meter, which is normally positioned outside the house and often in a hard-to-reach location. We also support the project to deliver effective licence obligations to reflect the outcome of the SONI Governance review. 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 fulfil this role and discharge its duties effectively, it is vital that SONI's governance arrangements are effective in protecting Northern Ireland consumers both now and in the future.



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Below we outline some additional points which we believe deserve consideration by the NI Executive, the Department for Communities and the Northern Ireland Utility Regulator. It is our belief that these options will assist in easing the pressures on vulnerable energy consumers in Northern Ireland in the longer term, and we would like to see them reflected in some way within the FWP.

- **Consideration should be given to the Introduction of the Warm Home Discount scheme (or equivalent) in Northern Ireland.** The WHD provides for mandatory social price support to reduce energy bills for the most vulnerable. Qualifying households in GB receive a £140 discount on their electricity bill between October and March. Each year the scheme supports 2 million homes, helping more than 600,000 poorer pensioners⁶. Currently vulnerable households in Northern Ireland do not receive this support.
- **UR should carry out a review of the current system of regulation in Northern Ireland and assess how this compares with the protections provided by the Energy Price CAP in GB.** The price cap sets a limit to how much energy firms can charge customers for gas and electricity and was introduced in 2019 to help households who do not regularly switch suppliers. Ofgem, the energy regulator, determines the level of the cap twice a year, and it is adjusted in April and October. Crucially this means price rises are passed through to consumers at set periods, meaning consumers have more time to prepare and react. In contrast, in Northern Ireland we have seen a rapid rise in energy prices throughout the winter months. This has meant many consumers have been caught unaware and faced extended hardship this winter. This is yet another example of households in Northern Ireland being further disadvantaged in comparison to their GB counterparts, as they cannot avail of the additional protections provided by the price cap.
- **Implement a new social tariff to help make energy more affordable for a discrete and well-defined set of energy customers.** In the 2000s, the UK Government and Ofgem introduced voluntary social tariffs in the energy sector as a form of ‘social price support’ for vulnerable consumers. This represented an attempt by Government to protect the poorest consumers from fuel price rises without the need to interfere in the market or invest excessive amounts of public money.

Finally, we welcome the continued work of the Consumer Vulnerability Working Group and look forward to the partnership opportunity this provides NEA and others to provide advocacy for consumers and liaise with industry.

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

⁶ David Hough (2016), ‘The Warm Home Discount Scheme’ Briefing Paper, House of Commons Library, Accessed Online: <https://researchbriefings.files.parliament.uk/documents/SN05956/SN05956.pdf>



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