



Action for Warm Homes
Northern Ireland

National Energy Action NI

Response to the
Utility Regulator for Northern Ireland's Public Consultation

*Firmus Energy Supply draft price control determination 2023-
2026*

July 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 an official rate of fuel poverty at 22%. However, in June 2022 NEA working in partnership with market research company LucidTalk, undertook an NI wide representative survey to assess the impact of rising energy prices and the cost-of-living crisis on households². The findings of this study are stark with 45% of households spending more than 10% of their income on energy costs. 80% of respondents have had to reduce their use of central heating and 1 in 10 have had to reduce the amount of food consumed or skip meals altogether to afford their energy costs.

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>

² Taken from NI wide representative polling in partnership with Lucidtalk to assess the impact of ongoing energy price rises in Northern Ireland: <https://www.nea.org.uk/publications/lucidtalk-nea-ni-ni-wide-omnibus-poll-project/>



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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) figure for 2020/21 was approximately 1,120³. 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 temperatures⁴. 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 pressure⁵. 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 rheumatism⁶. To put it simply, we know warm homes are vital for ensuring good health and wellbeing.

Response

We welcome the opportunity to respond to the consultation on the GD23 - Firmus Energy Supply draft price control determination 2023-2026.

The past 18 months have been some of the most difficult for energy consumers and vulnerable households as, fuel prices have soared, and consumer bills have increased dramatically. This increase in energy bills along with rising food prices and high levels of inflation have deepened the level of hardship facing many households and pushed many more people in Northern Ireland into fuel poverty. As of June 2022, polling evidence suggests that 45% of NI households are spending more than 10% of their income on energy. At NEA we have seen the reality of this first hand through our 'Warm and Well' project and our discretionary support fund, both of which have been called upon to provide crisis intervention to more than double the number of households we would support in a normal winter period.

As a regulated company, firmus ultimately serves to provide an essential service to consumers in Northern Ireland. The interests of consumers must be at the heart of the final determination; especially

³ 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

⁴ Marmot Review Team (2011), The Health Impacts of Cold Homes and Fuel Poverty

⁵ Department of Trade and Industry (2001), The UK Fuel Poverty Strategy. London: DTI.

⁶ 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.

after the record gas tariff increases that consumers in Northern Ireland endured in 2021/2022. Across both the 10 Towns Area and the Belfast Area firms gas introduced 3 price rises in less than a 12-month period, each of which put additional pressure on already stretched household budgets. Whilst we recognise that these price rises are due to volatility in global gas markets, NEA's primary responsibility is to the vulnerable consumer and our response has therefore been shaped with their experiences in mind.

We know that 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. Within this context we believe the Utility Regulator must play a leading role in ensuring that policy decisions are based on long term sustainability to protect consumers during the energy transition.

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 NI 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.

It is clear that the route to fully decarbonised gas remains uncertain. NEA are therefore concerned that the continued promotion of gas and the rollout of the gas network might no longer represent the best approach for Northern Ireland. We have pressed the Department for Economy and the gas industry to provide us with evidence which could support the financial viability of both Hydrogen and Biomethane gas within the context of home heating, but to date this has not been forthcoming. We are concerned that these new and untested fuels could be very expensive for households in NI. We believe more work must be done to evaluate costs. Lower income households do not have the luxury of choice when it comes to lower carbon fuels. It is therefore of paramount importance that these households are supported and protected through the energy transition. This includes ensuring their energy prices are affordable in both the medium and longer term.

NEA believe the existing 2% profit margin level for firms is sufficient, and that in light of rising prices for consumers it would be unconscionable for this margin to be increased. If anything, there is a strong case to be made for the introduction of system by which this margin could be tapered to a lower percentage when wholesale prices go up but operating costs remain the same, thus preventing excessive profits being made.



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NEA don't wholly agree with the Utility Regulators assessment that regular tariff reviews help mitigate tariff volatility for consumers. We argue that NI consumers have been exposed to additional volatility when compared to other parts of the UK. Whilst we understand the rationale behind the use of trigger mechanisms, we have concerns that during times of exceptional market volatility consumers are being disadvantaged by the unpredictability of the pricing system. To understand this, it is important to reflect on the context of the past 12 months from the perspective of a low-income household. For these householders paying for energy takes up a significant portion of their household budget. When a tariff review is carried out, the householder is given a short 21-day notice period pending any changes. Finding the additional money in an already stretched household budget at such short notice can prove to be incredibly challenging and we know that many consumers have been caught unaware, especially those on prepayment metres.

We do not believe this is adequate as it doesn't give consumers time to react or plan accordingly. In GB, energy consumers have the advantage of a price cap which fixes prices during set times of the year. This means consumers are suitably warned of increasing prices and can plan and budget with much greater certainty than NI consumers. As such NEA recommend that the Utility Regulator and the energy companies work together to ensure consumers are given a longer lead in time before any price rises are passed through on the bill. Ideally consumers would be given a couple months so that they can plan their finances accordingly. At a minimum we would like to see the notice period extended to 6 weeks.

Following any tariff reviews which result in significant price increases for consumers, NEA believe that it would be prudent for supplier to make meaningful contact with those who are identified as vulnerable to ensure that they are informed and fully equipped to prepare for the change in price. This could go a long way towards helping to empower vulnerable consumers by allowing them to get ahead of increased energy costs and plan or budget accordingly.

NEA believe that suppliers should be required to offer an emergency crisis/hardship fund. The rapid rise in prices over the last 6 months has pushed many more households in Northern Ireland into fuel poverty. At the same time energy companies globally have been announcing record profits. To help mitigate the worst impacts on the most vulnerable, and to foster some trust in our energy system, we believe that energy suppliers should be doing more to directly intervene in the most extreme cases.

We would also like to see consideration given to the development of social tariffs for low income and fuel poor households 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.



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NEA would also like to see suppliers further efforts to obtain more detailed information and data around vulnerable consumers' use of pre-payment meters (PPMs) and the levels of self-disconnection in Northern Ireland. With currently 62% PPM customers 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 do not have enough information to adequately assess the degree of self-disconnection, rationing, consumer behaviour, accessibility, ease of use, PayPoint issues and many other aspects. The pandemic shone a spotlight on the inadequacy of the gas PPMs, which included the need to physically top up with an individual needing to take the prepayment card to a PayPoint venue, the maximum vends of £49, the individual needing to take the card to the meter, which is positioned outside the house and often in a hard-to-reach location. In our experience, PPMs have failed to protect the most vulnerable, and indeed in many cases have exposed them to additional risks.

NEA welcome the progress made by the UR on bringing forward the Best Practice Framework for Suppliers and Network Operators. This programme could have a transformational impact in terms of consumer care and support and should not be underestimated. We hope that firmus energy will embrace the programme and together we can ensure all vulnerable consumers in Northern Ireland are adequately supported.

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

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