



The Consumer Council

***Response to the Department of
Enterprise, Trade and Investment
Consultation on***

**“A Draft Strategic Energy
Framework for Northern Ireland
2009”**

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1. Executive Summary

1.1. Energy is at the centre of all activity in Northern Ireland. Householders and businesses both large and small rely on it in all of their activities. They also pay for it. Set in this context the Strategic Energy Framework for Northern Ireland is extremely significant for consumers. Likewise, there needs to be recognition by policy makers that the consumer is at the heart of Northern Ireland's energy future and this needs to be reflected in the strategy.

1.2. The Consumer Council recognises the need for Northern Ireland to move to a fossil free, indigenous energy supply. We understand that there will be costs in the transition, and that the cost of inaction would be far greater. In securing Northern Ireland's future energy needs, we believe that the Government will need to balance:

- Affordability
- Security of Supply. and ;
- Sustainability

1.3 The following are key points for the Consumer Council:

- In order to develop and maintain consumer support, any measures proposed must undergo a rigorous cost benefit analysis. Through a public and transparent process consumers must be able to see that any costs they are being asked to pay will deliver the benefits required.
- Financial responsibility for the transition to a non-fossil fuel energy sector must not unfairly fall to consumers alone.
- Government must continue to exert pressure on the energy industry, and act at every opportunity, to keep prices down. The McIlldoon Report into the electricity industry in Northern Ireland is one such opportunity.

- Fuel poverty must be tackled as a priority as we face into an uncertain future of rising energy prices. The Government must explain how it will protect the most vulnerable in society from fuel poverty.
- The Consumer Council agree that competition, if designed correctly, can be a key mechanism in delivering lower prices and choice to consumers. However, to be viable competition must improve the customer experience for all consumers, including the vulnerable. No customer should be worse off as a result of competition and the price of energy must not increase due to measures taken to introduce competition.
- DETI cannot and must not act in isolation. A coherent energy strategy requires a co-ordinated approach across a range of Government and non-Government bodies. Responsibility for tackling Fuel Poverty lies primarily with the Department of Social Development but is affected by policies within a range of Government departments including DETI. The overarching responsibility of Government to tackle fuel poverty must be recognised by a move away from a 'silo mentality' to more 'joined-up' thinking.

2. Introduction

- 2.1. The Consumer Council welcomes the opportunity to respond to the Department of Enterprise, Trade and Investment (DETI) consultation on a Draft Strategic Energy Framework for Northern Ireland 2009. This is a major piece of work which will have a significant impact on Northern Ireland Consumers for many years to come; as it looks to set out a strategic framework for Northern Ireland's energy future, to 2020.
- 2.2. The Consumer Council's role is to give consumers a voice - and to make sure that voice is heard by those who make decisions that affect consumers. The Consumer Council was set up by statute in 1985, as

a Non-Departmental Public Body, to promote and safeguard the interests of all consumers in Northern Ireland.

- 2.3. The Consumer Council has certain specific responsibilities for energy, passenger transport, and water.
- 2.4. A key feature of the Consumer Council's work is to carry out research to determine consumer concerns and to campaign for the best possible standards of service and protection. The Consumer Council has a major role to play in educating consumers so that they will have the skills and confidence to meet the challenges of the future.
- 2.5. The Consumer Council believes that Northern Ireland's Consumers need affordable energy prices; and that the Energy Sector needs to fully acknowledge and take account of the needs of the consumer within this ever changing energy environment.

3. Context

- 3.1. The Consumer Council understands that in April 2009, the EU Council of Ministers adopted a directive setting a common EU framework for the promotion of energy from renewable sources. The Directive sets out binding targets for Member States with the aim of achieving an overall 20 per cent share of energy from renewable sources by 2020, and that the specific national targets for the share of the gross final consumption of energy from renewable sources for the United Kingdom is 15 per cent. The Consumer Council appreciates that there will be costs to the UK taxpayer if the UK target is not met.
- 3.2. As the consultation document sets out, currently, Northern Ireland is dependent on imported fossil fuels for 98 per cent of its energy, and spends around 10 per cent of its Gross Domestic Product on importing fossil fuels. This dependency on fossil fuels and exposure to international fuel prices has been acutely highlighted over the past

twenty-four months; with the huge fluctuations in the price Northern Ireland's consumers have had to pay for electricity, gas and oil prices.

- 3.3. The Consumer Council believe that consumers are central to the success of the Northern Ireland's economy. Consumers in Northern Ireland are under continuing economic pressure. As consumers and families tighten their belts financially, they become more and more conscious of the money that they spend. The recent economic downturn has had a severe impact on Northern Ireland. Minimising the price consumers pay for their energy will be a vital contribution to re-creating a successful economy.
- 3.4. The Consumer Council believe that it is vital that consumers know that they are getting a fair deal in purchasing their energy needs, and that they are confident and empowered to make the best decisions possible. To this end, the Consumer Council believes that consumers need to be able to assert more individual control over their own energy consumption, and therefore we will continue to work to empower the consumers so that they are educated and confident to take decisions that reflect their particular circumstances, and recognise the impacts their lifestyle has on the environment.
- 3.5. Through the development of the Strategic Energy Framework, Northern Ireland's Government is now in a position to decide if it continues with ever increasing imports of energy; which will continue to be subject to price fluctuations and disturbances in the world market; or move to more indigenous supplies of energy which if designed correctly will give Northern Ireland greater control over their energy supply and ultimately the prices that it pays for its energy. The Consumer Council believes that this is a necessary transition, which is not only right for the consumer, but for energy security, job creation, and the climate.

- 3.6. In 2006, the Stern Review concluded that if emissions are reduced in a low cost way to a level that avoids the most dangerous risks of climate change, then the costs of acting could be as low as 1 per cent to 2 per cent of global GDP by 2050, but the costs of uncontrolled climate change could be in the range of 5 per cent to 20 per cent of global gross domestic product (GDP) per year, averaged over time. The Consumer Council recognise that it is therefore in the interests of consumers that carbon emissions are dealt with in a costly and timely manner.
- 3.7. The Consumer Council therefore supports the new strategic goal to increase the amount of electricity from renewable sources to 40 per cent by 2020. We understand that there will be costs in the transition, and that the cost of inaction would be far greater. The task for Government is to ensure that the costs of this transition are kept to an absolute minimum and that they are spread fairly across all stakeholders and do not just default to energy consumers. We therefore believe that it is essential that the Government develop an honest and accountable engagement with consumers on the transition costs to a low carbon economy in Northern Ireland.
- 3.8. The Consumer Council recognises that determining energy policy will always be a difficult balancing act. It is about seeking to make a realistic and coherent assessment of the energy challenges we face today and in the future. The Consumer Council welcomes the overall vision within this consultation, but would seek a strategic framework that is right and innovative for consumers, and that the financial responsibility for this transition does not unfairly fall to consumers.
- 3.9. Northern Ireland needs a clear and detailed policy framework, which works in the interests of all consumers, and looks proactively and constructively across Government at setting an energy pathway to 2020 and which fairly tackles the priority issues of affordability, energy security and climate change.

- 3.10. To this extent, the Consumer Council is greatly disappointed that this consultation does not look to fully tackle the affordability aspect of energy.
- 3.11. Although we support the new goal of increasing the amount of electricity from renewable sources to 40 per cent, but we are concerned that this consultation proposes that consumers will need to pay an additional £50 per annum on their electricity bills to meet this target. We would ask the Government to further examine how consumers who are already struggling to meet the costs of current electricity bills will be able to meet these increased charges.
- 3.12. The affordability aspect of this problem is increasingly important to consumers within Northern Ireland. Some observers, including Department for Social Development Officials, have suggested with current energy prices, the incidence of fuel poverty within Northern Ireland could have reached as high as 50 per cent of households.
- 3.13. Energy costs must be fair to all consumers. It is the responsibility of Government, the Regulator and the Energy Industry to keep energy bills as low as possible, particularly for the most vulnerable. The Consumer Council will continue to work to ensure that there is a downward pressure placed on the ultimate energy price that consumers pay.
- 3.14. The Consumer Council is also disappointed that the Consultation has missed the opportunity to fully consult on the conclusions, from last year's McIlDoon Report, "*Northern Ireland electricity consumers – orphans in the energy storm*".
- 3.15. Douglas McIlDoon, in his report, stated that Northern Ireland had the opportunity to create a well regulated energy market which could not only deliver lower costs to customers but also manage the transition to the a low carbon economy. The Consumer Council believe therefore in the interests of Northern Ireland's consumers that any future Strategic

Energy Framework fully examines Mr McIlldoon's report in full detail, especially as he asserts that:

- 3.16. *“electricity prices are higher than they need to be because policy is confused and contradictory, and unless there is further development to the present market mechanisms will neither drive down prices nor deliver the desired transition to a securer, less fossil fuel dependent electricity supply industry.*
- 3.17. It is the view of the Consumer Council that the Government with any future Strategic Energy Framework coherently develops an overarching energy policy which will deliver both lower costs to customers and successfully manage Northern Ireland's transition to become a low carbon economy.
- 3.18. The Consumer Council understand that there are cost implications to consumers in moving Northern Ireland into this new energy future and Government and Policy Actors need to ensure that any decision has been subject to rigorous costs and benefits tests. It is important that the credibility of the sustainability debate continues to be developed with consumers, and that that they can clearly see that their contribution makes a real and defined impact.
- 3.19. The Consumer Council believes that any policy changes must be honest, accountable, consistent and transparent, and targeted on areas which will make the greatest impact on energy bills and carbon emissions. It is therefore vital that all Government Department and Policy Actors work together to develop and implement a coherent sustainable framework which logically looks at all major policy areas, such as energy, transport, water, housing, planning, education, health etc. We therefore welcome the creation of DETI's Interdepartmental Working Group on Sustainable Energy which looks to bring together Government Departments that can contribute to sustainable energy policy in order to ensure a holistic approach to delivery going forward.

3.20. The Consumer Council believes that for any framework to fully succeed in its aims there needs to be tough and transparent regulation across the energy industry, whose primary aim is to protect both the current and future consumer, and provide extra support for the most vulnerable in our society.

3.21. The Consumer Council believes that further questions need to be answered by the Government, the Utility Regulator and the Energy Industry, to ensure the Strategic Energy Framework that is eventually developed looks to deliver lower costs to Northern Ireland's customers whilst also managing the country's transition to the a low carbon economy:

3.22 **Consumer Council Questions**

1. What assurance do Northern Ireland's consumers have of meeting the Government 40% target for renewable electricity by 2020?
2. What milestones does the Government plan to ensure that the 40% target for renewable electricity is met?
3. What will be the cost to Northern Ireland's consumers if the 40% target for renewable is not met?
4. What is the Government doing within its own estate/procurement to ensure these targets are met?
5. What considerations are being given to those households currently suffering from fuel poverty, or on the margin of experiencing fuel poverty, in paying the proposed levy of £99 to fund the new 40% renewable electricity target?
6. Are Northern Ireland's consumers paying a double incentive to Renewable Generators? (Once through the Renewables Obligation

Certificate, and once again through the Single Electricity Market which rewards generators for the cost of producing electricity, which is made up of the fossil fuel prices plus generation costs) .

7. How will the McIlDoon conclusions be fully considered when developing the future Strategic Energy Framework?
8. How will the Government ensure that any energy investment decision is future-proofed and fit for purpose?
9. Will every energy related investment/policy decision be subject to transparent and rigorous cost benefit analysis to ensure that the consumer is getting the best deal?
10. Will the Government work to ensure other policy measures, for example those in Water, Transport, Health, Planning, Finance, Social Development, complement/support the final policy goals within the Strategic Energy Framework?

4. Competitiveness

- 4.1. Following the recent price fluctuations across the energy market in Northern Ireland, the Consumer Council remains concerned that Northern Ireland continues to be 98% dependant on imported fossil fuels for its energy supply. We are concerned that a that fossil fuel based energy future for Northern Ireland will continue to become increasingly expensive to consumers, as fossil fuel resources diminish, global demand increases, and international policies and national levies are enforced and become more costly in order to limit climate change.
- 4.2. The Consumer Council believe this Strategic Energy Framework strategy provides Northern Ireland with a huge opportunity to take full advantage of its natural resources and move to a position where an increasing amount of its energy requirement is provided from

indigenous sources; and that its overall energy requirement is reduced through maximising energy efficiency measures.

4.3. It remains the position of the Consumer Council that any new costs to the system/consumer should not enter the system unchallenged, and should always be subject to rigorous cost and benefit tests to ensure they are cost effective to the consumer in reducing both the cost of energy and overall carbon emissions.

4.4. This Consultation has missed a real opportunity to publically examine the recommendations of last year's McIlDoon Report. We believe that before Northern Ireland enters into a more competitive domestic energy market, the issues that the McIlDoon Report raised about developing the structure of the electricity supply industry to reduce the amount of money consumers in Northern Ireland pay for their electricity needs to be fully addressed.

4.5. Indeed, The Consumer Council has itself undertaken further research into the McIlDoon Report and believes if satisfactorily addressed, proposals within the report could bring some real benefits for electricity consumers. The short-term opportunities could include:

- Providing NIE Energy with the opportunity to purchase electricity outside the current limit of a two-month window. We believe that this could provide NIEE with the opportunity to purchase electricity at lower prices, which may mean a better deal for customers.
- The Single Electricity Market (SEM) should use an agreed currency rate for both sterling and the euro so that consumers do not suffer from currency fluctuations within their electricity price.
- Ensuring that consumers pay a fair cost price for generation. Currently the price consumers pay for their electricity bears little or no resemblance to the actual cost of generation.

- By providing incentives to NIEE so that they work in the interests of the consumer. We recognise that NIEE's current profit margin is small compared to electricity supply companies in Great Britain, but unlike GB companies it is a guaranteed margin, and they therefore have little incentive to gain the best deal for customers, as ultimately all its costs/risks are passed through to the consumer.

4.6. **Competition in Northern Ireland's Energy Market**

In order for competition in the energy sector to be successful in Northern Ireland it must improve the customer experience for all consumers, and this is only possible if it:

- Provides value for money to the consumer;
- Provides better customer service;
- Is available to all classes of consumers, and;
- Provides increased and targeted protection to vulnerable consumers;

4.7. At present, there is no comprehensive evidence to suggest that competition will deliver all these benefits to consumers. It is therefore the Consumer Council's view that competition should not be pursued if the costs to the consumer are greater than the overall benefits. Any measure to introduce competition in Northern Ireland needs to take full account of the unique nature of the energy market within Northern Ireland.

4.8. The Consumer Council believes that the Government/Utility Regulator needs to undertake further work to fully understand the benefits/disadvantages that competition can bring to consumers within Northern Ireland.

- 4.9. The Consumer Council is concerned that Northern Ireland consumers are increasingly being expected to pay for more costs associated with competition, with no real certainty that competition in the domestic energy market in Northern Ireland is fully attainable in its current state
- 4.10. The Consumer Council is concerned that competition is seen by many as a solution to those who are struggling to afford their energy bills. The Consumer Council is aware that competition cannot drive costs down below the industry's base costs, and so we would continue to look to the Government to provide further support to those consumers who find themselves in fuel poverty.
- 4.11. The Consumer Council would like to highlight that following the introduction of competition to the energy market in Great Britain, market segmentation has occurred - which has been to the detriment of many vulnerable customers. There is growing evidence that companies are 'cherry-picking' customers and taking advantage of customers who are not financially savvy enough to switch. The Consumer Council is concerned that if the competitive market in Northern Ireland is not designed correctly consumers will suffer from the same inequalities and problems.
- 4.12. The Consumer Council would also like to raise concerns about the overall pursuit of energy competition in Northern Ireland, and would ask both the Government and the Regulator to take fully into account the recent policy position in Great Britain, where the Secretary of State for Energy and Climate Change, Ed Miliband has talked about the need for a stronger Government role in energy policy, to shape strategic policy objectives and to possibly even set energy prices.
- 4.13. The Consumer Council recognises that globally, and within the British Isles, Northern Ireland is a relatively small energy market of around 790,000 electricity consumers and 120,000 gas consumers. The Consumer Council is concerned that in the advent of competition in

the domestic energy market only supply companies from outside Northern Ireland, who have an overall larger customer base elsewhere, can provide the necessary economies of scale to reduce costs to consumers, which may mean that the voice of the Northern Ireland consumer is further diluted, within organisations who have their main focus and customer base elsewhere.

4.14. **National Best Practice**

In developing the Strategic Energy Framework, The Consumer Council would encourage the Government and Local Government through their own estate and infrastructure projects in Northern Ireland to lead by example, and ensure that their practices meet best practice in terms of energy efficiency, carbon emissions and the use of low carbon forms of energy generation.

4.15. Government is far better placed to ask individuals and business to change if their own house is in order. We believe that Government can use its own purchasing power to encourage improved standards, and stimulate the market in Northern Ireland for energy efficiency measures and more sustainable forms of energy.

4.16. The Consumer Council would support the Government in working with Local Government to encourage best practice at a community level. Schemes such as Woking Borough Council, in Surrey, where the Local Government have worked to use of innovative technologies such as Combined Heat and Power and Micro Renewable and the use of energy efficiency measures, which has resulted in reduced energy bills to local residents and in doing so reduced local carbon dioxide emissions by nearly 80 per cent. Another example, Kirklees Council in Yorkshire, has over the last two years filled 9000 homes with cavity wall insulation and 18,000 homes with loft insulation. These measures have helped to reduce residents' energy bills by an average of £150 a year, and these measures have made a huge dent in local fuel poverty.

This scheme has also supported the local economy by getting unemployed builders back into work, and has created an estimated 200 jobs locally. Kirklees Council have estimated that the long term benefits of this scheme will mean saving residents £4.5 million a year.

- 4.17. Communities in Northern Ireland should be encouraged to work together to strategically identify areas where infrastructure at a community scale can provide the most cost-effective solution. Government through the final Strategic Energy Framework should look to create an environment where the innovation and ideas of communities can flourish, and people feel supported in making informed choices, which enable them to have greater control over their energy costs and supply.
- 4.18. Business and households in Northern Ireland needs to be further incentivised to save energy. The Government needs to provide further co-ordinated advice for all consumers on how they can use their energy more efficiently and cut their carbon emissions and reduce their overall resource use. Government could further support this action by providing loans and grants to households, small and medium-sized businesses and the public sector to afford upfront costs of those energy-efficient and low carbon technologies that will ultimately bring their energy bills down.
- 4.19. The Government could also look to support business with innovative schemes that would look at reducing their employees' energy bills, for example offering energy efficiency/energy brokering benefits/schemes to employees' households.
- 4.20. **Enlarging a Consumer's Area of Control**

The Consumer Council recognises that everyone has a role to play in developing Northern Ireland's sustainable energy future, but we believe that the Government needs to provide real and practical support to

consumers so that they can make objective choices about issues about energy source they use, and how to get value for money when investing in energy related measures such as insulation and micro-renewable technologies.

4.21. Currently, proactive information to support the consumer make energy related investment decisions is scattered and hard to find. The Consumer Council is keen to work with Government to find better ways to signpost consumers to this information.

4.22. **Utility Regulator**

Rising energy prices affect all consumers. As Northern Ireland's energy framework moves forward, the Regulator must have the powers to be able to proactively protect the interests of both future and current customers, and continue to place a downward pressure on energy prices and overall cost of the energy industry within Northern Ireland.

4.23 **CONSULTATION QUESTIONS**

1. Competitiveness

Are there particular or more radical actions which can be taken to accelerate greater competition in our retail energy markets – both electricity and gas?

Last year, consumers experienced exceptionally high price increases in both regulated energy i.e. electricity and natural gas, and in home heating oil. As a response to these escalating prices, the Minister for Social Development, Margaret Ritchie, established the Fuel Poverty Task Force, brought together the key stakeholders in energy in Northern Ireland with a view to identifying how to address fuel poverty. One of the suggestions

made at by the Task Force was the investigation into developing an energy brokerage scheme.

This project has been taken forward by the Northern Ireland Housing Executive (NIHE), the Consumer Council for Northern Ireland (CCNI) and Bryson Charitable Group (Bryson) to investigate the extent to which it may be possible to produce a method of procuring a range of energy supplies, on behalf of consumers, at a reduced cost, and thereby enabling competition. The final report from this work will be available in the autumn.

As in Great Britain, with the likes of Ebico, there exists the opportunity for a not-for-profit supply company, with the aim of helping those in poverty, to be set up to procure energy on the wholesale market and sell it on at a cheaper rate.

2. Is greater availability of natural gas the most effective means of delivering greater fuel choice, security of supply and lower carbon emissions?

The Consumer Council recognises that there are undoubtedly benefits to natural gas as a heating source over other fossil fuels in terms of carbon emissions and fuel efficiency. In addition, it is also a more economical fuel source, when compared to other fuel sources, including electricity, and provides the consumer with a wider choice of energy sources.

We also recognise that whilst wholesale gas, and thus retail, prices have remained volatile, natural gas remains more than competitive with rival fuels such as oil, LPG and mains electricity.

Recognising these benefits the Consumer Council would like to highlight Malcolm Wick MP's recent independent report, "*Energy Security – A National Challenge in a Changing World*", that discusses that in the future

fossil fuels, including natural gas, are going to become even more prone to high or volatile prices, and possible disruptions in supply.

We believe that the Government needs to undertake an open and honest debate with consumers within Northern Ireland to ascertain if they want an greater natural gas network throughout Northern Ireland, or if certain towns/districts/communities want to examine more indigenous sources of heat/energy through for example renewable, district heating, CHP, waste to energy systems.

Before increasing Northern Ireland's natural gas network, the cost/benefits to all energy consumers need to be understood, and these should be taken into consideration while maximising the energy efficiency potential of houses/business that are currently not on the network.

The Consumer Council wishes to ensure that any policy decision is future-proofed and consistent with the aim of making energy with Northern Ireland more affordable, secure, whilst minimising its effect on the environment.

3. How would a bespoke appeals system impact on operation of the SEM, and the role of the SEM Committee, and confidence in dealing with disputes in the market?

The Consumer Council would wish to ensure that the primary objective of the SEM is to gain the best deal for consumers in terms of the price paid, and the quality of service received.

Consideration should be given to Douglas McIlldoon report "*Northern Ireland electricity consumers – orphans in the energy storm*", which suggests that:

- The role of the SEM should be limited to managing efficient dispatch – a task for which it is particularly well equipped – and

there should be other policy instruments explicitly designed and put in place by the governments of Northern Ireland and the Irish Republic to secure timely investment in new generation, or;

- The SEM needs to be given those additional features which will enable it to not only secure generation over the long term but also ensure that such generation reduces emissions, costs and fuel insecurity

4. How important are common gas arrangements between Northern Ireland and the Republic of Ireland to ensure continued investment in the gas industry and to develop competition and longer term security of supply?

The Consumer Council recognises that the harmonisation of gas transmission and associated gas arrangements on the island of Ireland could facilitate the delivery of potential efficiencies and therefore result in lower prices, but we believe that before any decision is taken to proceed on the common gas arrangements, there will need to be clear evidence that having common operating arrangements would bring real and tangible benefits to energy consumers within Northern Ireland.

5. How can the job creation potential of the renewable energy sector be maximised?

Sustainable job creation within the renewable energy sector in Northern Ireland can only be maximised by engaging local communities and individual consumers to understand the products and services that will be needed and wanted within Northern Ireland's energy future.

The Consumer Council supports the work of the Green New Deal which calls on the Government to take a joined-up approach to recession, rising unemployment, volatile energy prices and climate change, and we support its key aims, which include the full insulation of homes, increased

efficiency measures in public and commercial buildings, localisation of electricity and heat through renewables, real choice in public transport and financial incentives to obtain the funds necessary.

6. Do you think that supporting business to increase their resource efficiency will lead to improved competitiveness?

It makes good business sense to manage resources effectively. By supporting business in this manner, Government will be able to improve the way organisations manage their energy usage, therefore save money.

In general, businesses are not aware of how well they manage their raw materials, energy or water- often thinking of them as fixed costs. We would therefore ask Government to provide focused help to businesses in Northern Ireland to highlight areas where improvements can be made and provide the necessary help to implement them.

5. Security of Supply

- 5.1. The Consumer Council is concerned at the level to which Northern Ireland is dependent on other countries for its energy, a position that has been recently exposed with rises and spikes in international fuel prices in 2008.
- 5.2. The Consumer Council is concerned that the increasingly volatile nature of wholesale fuel costs and therefore generated electricity will have further contributed to the already high levels of fuel poverty in Northern Ireland.
- 5.3. The Consumer Council supports the Government's proposals to increase the level of "home grown" renewable energy production; as by doing so it reduces Northern Ireland exposure to international fuel

prices and reduces its energy security risk by managing its own energy demands.

5.4. **Energy Efficiency**

The Consumer Council are aware that in 2007, the European Council identified energy efficiency as an essential part of the comprehensive strategy on climate change and energy, and stressed the need to achieve the objective of a 20% saving of EU energy consumption by 2020.

- 5.5. Energy efficiency measures are the most cost effective way of increasing Northern Ireland's energy security. Such measures can not only improve the energy performance of homes and businesses, but can also play an important role in helping consumers manage/reduce their energy bills, whilst at the same time reducing carbon emissions.
- 5.6. Energy efficiency measures are a "win-win" for all consumers within Northern Ireland, and that an even greater emphasis should be placed within the Strategic Energy Framework on encouraging and maximising the deployment of these energy efficiency technologies.
- 5.7. The Consumer Council would urge the Government to examine how best it can support consumers to improve the energy performance of their houses, offices and factories, and the clarity of the possible savings on their energy bills. Often, because consumers are so accustomed to the way their boilers and appliances work, there is little appetite for change, and because of a lack of information, many consumers are not aware of the options available.
- 5.8. The Consumer Council would encourage the Government to examine with financial institutions, such as Credit Unions, support mechanisms that could help consumers pay for the upfront costs of energy efficiency measures whilst they make savings through their energy bills.

5.9. However, the Consumer Council would like to caution, that the Northern Ireland Fuel Poverty Advisory Group's 2007 Annual Report, stated that even if all the Northern Ireland housing stock had, in 2006 (before the significant rises in energy prices in 2008) been “brought to an acceptable level of energy efficiency”, fuel poverty in Northern Ireland would have remained at 17 per cent. On this basis, additional support, on top of energy efficiency measures will be needed for those in fuel poverty.

5.10. The Consumer Council would ask the Government to ensure that this problem is not further exacerbated, and insist that all new properties are built to higher environmental standards, and following the lead in Great Britain where from 2016 all new homes will need to meet a ‘zero carbon’ standard.

5.11. The Consumer Council recognises that people living in rented accommodation face a further obstacle, as often they are not able to make changes to the property that they are renting. The Consumer Council calls on the Government to mirror proposals in Great Britain to consult on requiring Energy Performance Certificate ratings for rented properties to be put on property advertisements - and consult on extending access to this performance information to help target efficiency offers and support.

5.12. **Smart Meters**

Smart meters are crucial to revolutionising customer service and maximising energy saving within Northern Ireland. The Consumer Council would ask the Government to match the commitment of the UK Government and mandating smart meters to all consumers by the end of 2020.

- 5.13. Research has shown that smart meters allows consumers to take greater control of their energy usage, which could enable them to make saving of up to 10% on their energy bills each year. The Consumer Council believe that in making consumers aware of exactly how much energy they use and when they use it will give them the power to change their usage habits and see an immediate effect in their energy bills.
- 5.14. Smart meters have additional benefits to consumers as their future energy bills will be based on estimates and there will be no longer the need to stay at home for meter readings. In addition, going forward, smart metering also supports the further use of micro generation and will provide a platform for Northern Ireland to develop in the future a smart grid network.
- 5.15. In Great Britain it has been envisaged that the introduction of smart meters, would allow energy suppliers there to be able to offer improved services to consumers, such as a wider range of tariffs and incentive packages, and improved service levels and smoother switching between suppliers.
- 5.16. It is the Consumer Council position that smart meters should be installed at no extra cost to consumers, as they will create significant recurring savings for the energy companies that far exceed the cost of installation and operation. Savings will come as a result of ending the need to dispatch meter readers and estimate bills, whilst reducing significantly the call centre requirements and providing better load management through smart grid applications.
- 5.17. **Renewable Energy**

The target of 40 per cent renewable electricity in Northern Ireland by 2020 is a demanding target, given the low contribution of renewables in the energy mix at present. The Consumer Council recognises that

there will be costs associated with this however, and choices need to be made, but these need to be undertaken in a fully transparent and accountable manner, taking into account the views of all stakeholders, including consumers.

5.18. The Consumer Council recognises, that in order to maximise the benefit to Northern Ireland of increasing indigenous energy production, remaining barriers to renewable energy will need to be addressed in partnership with other departments. Informing and challenging political and public attitudes towards and local acceptability of renewable and sustainable energy technologies and the infrastructure needed to support them will be crucial to the future of renewable energy in Northern Ireland.

5.19. In developing such measures it is important to maintain and develop consumer confidence. We therefore consider it important that any measure which purports to reduce carbon emissions has always been subject to rigorous costs and benefits tests. While initially such measures may be dressed up as contributing to sustainability, if they are not effective in reducing emissions at a reasonable cost, the Consumer Council is concerned that in time they will damage the credibility of the sustainable development agenda.

5.20. **Transmission and Distribution Networks**

The Consumer Council recognise that increasing levels of renewable energy generation will also require significant investment to manage the electricity grid in Northern Ireland, in order that it can cope with greater fluctuations in electricity demand and supply.

5.21. The Consumer Council recognises that infrastructure investment will be key to unlocking the low carbon opportunities in Northern Ireland's economy, and that investment is needed in Northern Ireland's grid to make it smarter to support a greater contribution from intermittent

renewable energy and to address changes in consumer demand, e.g. through uptake of micro generation and electric vehicles.

5.22. The Consumer Council is aware that in developing a future transmission and distribution network capable of coping with increased levels of renewable and micro generation that the grid in Northern Ireland will need to be strategically planned, rather than being incrementally developed.

5.23. In developing the necessary transmission and distribution network, the Consumer Council would ask the Government to undertake a transparent and accountable cost/benefits analysis of any proposed investment decision, to ensure that the consumer is getting the best possible deal.

5.24. It is important in developing a strategically planned grid that the Government works with both the Energy Industry and Local Government, to work through issues such as planning requirements, to ensure that the correct infrastructure is built in a timely manner, so that it meets the needs of Northern Ireland both now and in the future.

5.25. **Natural Gas**

The natural gas industry has now become well established in Northern Ireland, especially in the Greater Belfast area, since completion of the undersea pipeline between Scotland and Northern Ireland (SNIP).

5.26. 60 per cent of Northern Ireland's conventional electricity generation is provided by the gas-fired power stations of Ballylumford and Coolkeeragh power stations. Electricity power generation currently utilises around 65 per cent of all gas imported to Northern Ireland, with the remainder used for business and domestic consumers.

- 5.27. The Consumer Council recognises that the further roll-out of the; and the maximisation of the current; natural gas network has considerable environmental benefits being the least polluting fossil fuel, and can contribute to a lower carbon energy strategy for Northern Ireland.
- 5.28. Many rural areas of Northern Ireland are unlikely ever to be connected to the gas network and receive the potential cost benefits associated with it. Typically, rural incomes are lower than urban incomes and many costs are higher. The potential of alternative energy sources, particularly for fuel poor areas, needs to be fully explored to provide more cost-effective energy solutions.
- 5.29. The Consumer Council recognises that UK production of oil and gas will decline over the coming years, with imports making up a greater proportion of demand over the next decade and more. Although new gas interconnection between Britain and Norway, combined with significant investment in gas storage and LNG facilities in Britain, have been positive steps in relation to the UK's security of supply. However, pipeline failures and problems with supplies from Europe in recent years highlight the vulnerability to gas supplies in Northern Ireland, which is at the end of the European gas pipeline system.
- 5.30. The UK Low Carbon Transition Plan highlights that as reliance on gas increases, and as indigenous gas supplies decline, gas prices will become dependent on international markets. The Plan is concerned that it will become increasingly difficult to heat our homes at an affordable price, and sets out the UK Government plans to reducing the UK's need for gas through improving the energy efficiency of new and existing homes and by using alternative, low carbon sources of heat where available. The Consumer Council would ask the Government to be mindful of this Plan, and examine the concerns within it.
- 5.31. The Consumer Council is also interested and would ask the Government to examine the assertion within the UK Low Carbon

Transition Plan assertion that in the medium-term the UK can begin to decarbonise its gas supplies by injecting renewable gas into the grid. The Department of Energy and Climate Change Renewable Energy Strategy sets out in how it will reduce net UK gas demand by 29% in 2020.

5.32. **Oil**

Greater emphasis needs to be placed within this consultation on ensuring the security of supply of oil and providing it at a fair and affordable price.

5.33. The Consumer Council recognises that this market is unregulated in Northern Ireland, and operates in a competitive market, which subject to global demand and instabilities.

5.34. The Consumer Council recognises the work of the Northern Ireland's Oil Federation, but we remain concerned about the lack of regulation within the oil industry, especially as Northern Ireland is completely dependent on imported refined oil for back-up electricity production, and 72 per cent of domestic homes, particularly those in rural areas, use oil for heating. The Consumer Council is concerned about the effect the fuel's price volatility and possible interruption to supply could have on Northern Ireland's economy and consumers.

5.35. **Coal**

Greater emphasis need to be placed within the Strategic Energy Framework document on coal.

5.36. Coal continues to be used by many Northern Ireland households, and although coal for domestic heating use has declined in recent years, it still remains an important energy source for a significant number of

people. In addition, Coal has a significant role to play in Northern Ireland's electricity generation mix, with Kilroot Power Station.

5.37. The price of Coal has increased over the last few years due to worldwide demand, whilst environmental constraints have also led to increases in the cost of burning coal for electricity production.

5.38. The Consumer Council recognises the work of Northern Ireland's Coal Advisory Service, but believes greater regulation needs to be placed over the coal industry to ensure that consumers receive the best deal in terms of value for money and quality of service.

5.39. **CONSULTATION QUESTIONS**

Security of Supply

1. Do the consultation document proposals sufficiently address security of supply issues? Are there other aspects to consider?

As we have mentioned in the body of our response, an even greater emphasis needs to be placed on energy efficiency measures within the consultation document. Energy Efficiency must be the starting point for Northern Ireland's energy future. Such measures must not be regarded as soft-options or "nice-to-have", but part of a vigorous programme to reduce substantially demand for energy, and therefore increase energy efficiency.

The Consumer Council are concerned about how consumers will be able to afford their energy, and manage their energy bills, if energy prices become even more volatile due to security of supply issues. We believe volatile fuel bills have an effect on consumer confidence, and the ability of Northern Ireland's businesses to compete.

2. How can we ensure that our conventional generation mix is suitable in terms of fuel diversity for security of supply, and in relation to much higher levels of renewable generation, and wind in particular?

Any future energy policy should take account of the need to ensure system reliability, at a fair and accountable cost. We believe that energy policy needs to be directed at clearly identified objectives (affordability of supply, security of supply and sustainability), and should analyse each element of the energy network against their contribution towards these goals.

A future all-island policy on renewables should set a clear strategic direction. A significantly increased penetration of renewables will require a wide range of complementary actions, such as grid strengthening, to ensure that it is correctly integrated into Northern Ireland's power system.

Smart Meters have an important role to play in helping to ensure the potential of generation mix across Northern Ireland, and the Single Electricity Market is maximised.

3. Is increased interconnection an expensive option to enhance security of supply, or essential infrastructure?

The Consumer Council recognises that interconnectors already play an important role in Northern Ireland's security of supply. The Consumer Council would ask that in going forward that any new interconnectors undergo a fully transparent cost benefit analysis, and that the use of the current infrastructure such as Moyle is being maximised.

In addition, the Consumer Council would ask Government to ensure that the costs of any interconnectors are fairly apportioned, if they are providing security for the whole island of Ireland. Currently, for example, if the revenues are insufficient to meet the costs of the Moyle Interconnector, the cost is fully borne by Northern Ireland's customers, although it supports the whole of the island of Ireland's system.

4. How should research and development of new energy technologies be encouraged or supported?

Research and development of new energy technologies should be both encouraged and supported within Northern Ireland, to develop jobs and the skill base throughout the region. The tidal generation plant at Strangford Lough, is a good example where by Northern Ireland is leading the world in new and renewable technologies.

Research and development should be focused on the development of technologies that will be economically viable.

5. Is there sufficient emphasis in the document on the promotion and implementation of additional demand side management/energy efficiency measures to reduce energy consumption?

An even greater emphasis needs to be placed in the document on the promotion and implementation of additional demand side management/energy efficiency measures to reduce energy consumption.

Energy efficiency and demand side management measure could result in savings of millions of pounds for organisations and consumers across Northern Ireland. At a business level, the Carbon Trust suggests businesses can save 10 per cent in energy costs through free measures such as automatically powering off computers at night.

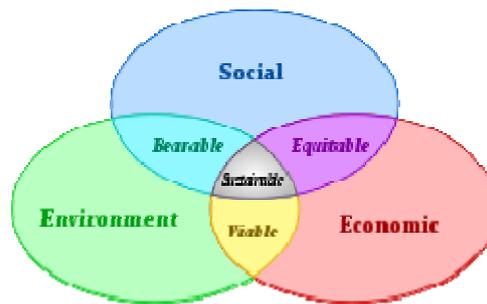
The IEA claims that every pound invested in energy efficiency generates more than £4 in savings, with a payback period of roughly four years. Future financial savings from energy efficiency are likely to increase even higher with increasing energy prices.

6. Sustainability

- 6.1. The Consumer Council is concerned that this consultation document has taken a narrow view on sustainability. The Brundtland Report described sustainable development as;

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

- 6.2. Gro Harlem Brundtland, in her report set out three pillars to sustainability – Social, Environment and Economic.



- 6.3. The consultation document has failed to examine the social impact of any future Strategic Energy Framework for Northern Ireland.
- 6.4. Energy prices have a significant impact on households and businesses in Northern Ireland, which for many is already tangible. Officials from The Department of Social Development (DSD) last year stated last year that 50 per cent of households within Northern Ireland could be suffering from fuel poverty.
- 6.5. The Consumer Council is greatly concerned that the consultation document does not look at how households within Northern Ireland who are already struggling to meet the cost of their fuel bills, will meet the cost of the proposed £99 per annum levy to increase renewable electricity generation within Northern Ireland to 40 per cent.
- 6.6. Tackling fuel poverty must be a priority for the Government. Strong and decisive action is needed to provide targeted help to prevent people from falling, or returning, into Fuel Poverty, and providing real support to those who are in difficulty.

- 6.7. Social policy, including policies tackling fuel poverty, is an issue for Government and must be shaped and directed at that level with all stakeholders feeding into the development of such policies.
- 6.8. A fuel poor household is one which cannot afford to keep adequately warm at reasonable cost. The Fuel Poverty Strategy for Northern Ireland was published in November 2004, set a target;
- “..subject to the availability of the necessary resources, DSD and its partners aim to eliminate fuel poverty in vulnerable households by 2010 and in non-vulnerable households by 2016”.*
- 6.9. The Consumer Council is greatly concerned that Government will miss these targets, as the reality is that the number of households in fuel poverty has continued to rise due to the volatile nature of wholesale fuel prices. Current energy prices are simply too high for those on very low incomes to be able to secure all their heat and power for less than 10 per cent of their disposable incomes.
- 6.10. The Consumer Council would like to highlight that even when energy prices were much lower than they are today, Northern Ireland still had very high levels of fuel poverty (In 2004, 23 per cent of households in Northern Ireland were in fuel poverty, this figure had risen to 34 per cent of households in 2006).
- 6.11. The Consumer Council are greatly concerned that without greater co-ordination and cooperation across Government departments, any policy on energy and fuel poverty will fail.
- 6.12. Government needs to ensure that fuel poor households can fully and fairly benefit from new low carbon schemes, within this consultation document. Such households need real practical assistance to reduce

their fuel bills. Such “win-wins” are possible by making homes more energy efficient, installing micro-renewables and more efficient heating systems.

- 6.13. Further examination is needed by Government and the Utility Regulator to establish whether fuel poverty can be defeated through the current structure of the energy market within Northern Ireland, or whether it is to quote the McIlldoon Report, it is “*a mathematical impossibility*”; and further targeted policy instruments are required.
- 6.14. The higher energy prices that this consultation proposes through increased levies to meet a target of 40 per cent renewable electricity are incompatible with measures to reduce fuel poverty.
- 6.15. Energy suppliers/market cannot solve, or be left to solve, fuel poverty by themselves, as the markets alone cannot deliver the support and assistance at the speed or scale that is needed.
- 6.16. It is vital that any decision the Government or Regulator takes in regard to Northern Ireland’s energy systems fully takes account of the affordability issues, and does not look to compound the already unacceptable levels of fuel poverty that occur within Northern Ireland.
- 6.17. The Government needs to examine innovative solutions to beat Fuel Poverty. These could include:
 - Changing the basis of tariffs so that those who pollute most through high usage pay more, which would further align price signals with environmental policy objectives;
 - Raising incomes also helps to tackle fuel poverty. As mentioned above, some people entitled to benefits are not claiming them. For example, every applicant to the Warm Front scheme is offered a Benefit Entitlement Check, This can include employment measures, aimed at ensuring people are better equipped to work, such as

Working Families Tax Credits; child benefit and child tax credit; increasing support for families on Income Support; the disability premium; and Pension Credit;

- Offering Benefits/Tax Credits to those households within Fuel Poverty;
- Working with Energy Suppliers to create mandated social support schemes/tariffs.

6.18. **Billing and Metering**

The Consumer Council will continue to press for better, more consistent and transparent information on energy bills, so that consumers can monitor their yearly consumption, and can accurately decide which energy related investments are the most efficient and sustainable.

6.19. It is vital that customers receive accurate, timely and easily understood bills. For many customers, a bill is the only contact they have with the energy company and can often be a source of complaint. The Consumer Council will continue to work with the energy companies to ensure that their billing procedures are meeting customers' needs.

6.20. Bills can also be used to provide customer information on a range of important subjects, such as energy efficiency. As all customers receive bills it makes sense to maximise their value. We plan to work with energy companies to see how this can be done in an innovative way.

6.21. **Renewable Heat**

The Consumer Council are aware that around 80 per cent of energy consumed in Northern Ireland is used for space heating, hot water in buildings, and delivering heat for various public and commercial facilities and industrial processes. 49.2 per cent of the energy that is

consumed in Northern Ireland is used for heat in the domestic sector alone.

- 6.22. District heat schemes offer substantial opportunities to de-carbonise heat. District heating is well-suited to energy usage dense areas, such as inner cities, linking homes and offices to a district heat scheme through a heat pipeline network. Examples of successful district energy schemes in the UK include Southampton and Birmingham, but the UK lags behind other countries, notably Denmark, in the development of low carbon heat networks. Studies have shown that the potential for both carbon and fuel bill savings to households participating in a district energy scheme is as much as 5 tons per annum per dwelling and 10 per cent per annum respectively.
- 6.23. The Consumer Council believe that if cost effective to consumers , Northern Ireland presents good economic conditions for renewable heat due to the high proportion of heat demand that remains off current mains gas supplies, and has the potential to reduce consumers dependency on volatile fuel prices, whilst reducing Northern Ireland's carbon emissions.
- 6.24. The Consumer Council is concerned however that the "Heat Market" is currently unregulated, and that in going forward, the Council would like to see that mechanisms are put in place to ensure that the customer is getting the best deal in terms of; cost, reliability and quality of service.
- 6.25. **Micro-generation**

The upfront cost of household based renewable technology is currently the main barrier to the uptake of micro-generation. We believe that, in going forward the Government needs to address how consumers will afford these products and examine the possibility for financial incentives to ensure that they are deployed on a larger scale.

- 6.26. In addition, consumers face considerable hurdles if they wish to install micro-generation. The forms that are required for government grants are often complex, and often they find that the grants are then unavailable by the time they are applied for. This can be further complicated if planning applications have to be made. The Consumer Council would like to work with the Government to develop a system which is simple and straightforward and encourages the universal uptake of micro- generation.
- 6.27. Furthermore, customers need clear information, so that they can make informed choices as to what investments provide the best return for them as householders and businesses.
- 6.28. Such a system of pre-set, long-term tariffs will ensure that people investing in micro-generation (and the financial institutions arranging financing for them) have a high degree of certainty about the amount they will be able to earn over the years from generating electricity.
- 6.29. **Combined Heat and Power (CHP)**

The Consumer Council recognises that technologies such as CHP have a role in bringing secure on-site energy, which can reduce fuel consumption, and thus provide lower energy bills and cuts in carbon emissions. It has the benefit of being a proven technology, especially for community and government buildings. The Consumer Council would ask that in going forward, as with any technology, that a full and transparent cost benefit analysis is undertaken to ensure that it meets the needs of its consumers at the correct price.

6.30. **CONSULTATION QUESTIONS**

Sustainability

1. Are the proposed renewable electricity targets to 2020 at the right level for Northern Ireland? Are sub-targets needed for any particular technology to 2020, such as tidal stream?

The Consumer Council recognises the research that shows that Northern Ireland has some of the best renewable energy resources in Europe and that they are currently under-utilised. The challenge will be how to maximise the use of renewable energy sources in light of cost implications to consumers, and their overall environmental impact.

Further public engagement is needed to ensure consumers understand the need for such targets.

2. Is the proposed scenario for a renewable heat target to 2020 sound and achievable?

Heat alongside electricity and transport has its role to play in meeting the renewable targets. We believe further work is needed to see how this market will actually work in practice, and the costs and benefits/incentives that will be involved.

As mentioned in the body of our response, we are concerned that heat is currently an unregulated market, and we would look to Government to ensure that structures are put in place to ensure that the customer is getting the best deal in terms of cost, quality of service, and reliability of supply.

3. There is no cost-free solution to increasing levels of renewable energy. The cost of most fossil fuels is predicted to rise in the medium term due to diminishing supplies and continued increase in demand. As this happens, renewable energy technologies will become increasingly competitive. What are consultees views on the additional costs of renewable energy that consumers will bear? How could these costs be minimised for those least able to afford them?

The Government needs to undertake greater consumer engagement over which additional cost consumers will be willing to be able to bear, and how these costs could be minimised for those least able to afford them.

Any increase in energy costs will be difficult for consumers who are currently struggling to pay the cost of existing energy prices. The Consumer Council remains greatly concerned about the levels of Fuel Poverty with Northern Ireland. We believe that Government needs to undertake an urgent and concerted effort to tackle this problem which affects a significant proportion of households in Northern Ireland – last year, Department of Social Development officials stated that they believed the level to be around 50 per cent.

To help gain perceptions around the questions and targets within the Strategic Energy Framework Consultation document, the Consumer Council has undertaken a consumer survey of 1023 respondents across Northern Ireland into some of the cost issues raised within the consultation document. The survey was statistically representative of Northern Ireland's adult (16+) population in terms of age, sex, and socio-economic grouping. The survey was also geographically representative of the population being conducted across 45 randomly selected sampling points (electoral wards).

The Survey asked consumers whether they would be willing to pay an additional cost on their energy bill so that Northern Ireland can increase the amount of renewable electricity that it uses. Just over 2 in 5 (41 per cent) claimed they would be willing to pay more, a trend which was more prevalent amongst ABC1's (50 per cent), those in the 25-34 (45 per cent), 35-49 (46 per cent) and 50-64 (48 per cent) age groups. In sharp contrast, 43 per cent stated they would not be willing to pay an additional cost, an opinion which was more frequently cited amongst the older 65+ consumers (58 per cent), as well as those in the C2DE socio-economic categories (48 per cent), and households comprising of 2 people or less (51 per cent).

The Survey also asked consumers about the target to generate 40 per cent of Northern Ireland's electricity from renewable resources by 2020. Almost 2 in 5 (38 per cent) stated they would like government to

continue to work towards these targets, despite the increased cost to consumers. Under a third (29 per cent) claimed they would actually like government to reduce the target below 40 per cent, a desire which was more prevalent amongst females (32 per cent), those in the 65+ age category (36 per cent), and those from less affluent backgrounds (DE's 34 per cent). Almost 1 in 10 (8 per cent) expressed a desire to actually see the targets increased beyond 40 per cent - interestingly, this feeling was particularly noticeable within the 25-34 (15 per cent) age group.

Finally, the Survey asked consumers what the price of energy should include. Over 3 in 5 (61 per cent) stated that their energy bill should reflect exactly the cost of providing that energy, and not contribute towards wider social issues, a perception that was significantly higher amongst those residing in Greater Belfast (73 per cent), relative to those living in the rest of Northern Ireland (52 per cent). This feeling was also slightly stronger amongst the older respondents (66 per cent), and those from the DE socio-economic category (65 per cent). In contrast, over a quarter (27 per cent) claimed the price they pay for energy should include costs to deal with wider social issues such as helping to reduce fuel poverty and improving energy efficiency.

The results of the survey show that further work is needed to be undertaken by Government and other stakeholders to explain the need for the targets with the consultation document and the sustainable low carbon agenda.

This survey work shows that Government needs to undertake further work on consumer opinions in order to develop a future Strategic Energy Framework to which consumers and ultimately the electorate can buy into. The Consumer Council work is keen to work with the Department of Enterprise, Trade and Investment to see how the low carbon, sustainable energy message can be further develop with consumers.

4. Is a cross departmental group the right mechanism to stimulate a joined up approach to sustainable energy across all NI departments? What would you expect a joined up mechanism to deliver over and above what is being delivered with the existing provisions across a number of Departments as at present?

Sustainable energy policies affect many other areas of Government policy, such as planning, rural policy investment, transport, water and others, and the Consumer Council believe that all these areas need to work together rather than compete on different priorities for the Northern Ireland's Strategic Energy Framework to be successful. This will mean an increasing amount of cross-cutting work and co-ordination across Northern Ireland's Government.

Every Government department has a vital role to play through their policy remit, or by leading by example on how they manage and run their estates or undertake projects. The cross departmental group is an important first step in developing a strategic and co-ordinated response from the Northern Ireland Executive to sustainable energy issues, whose key challenge will be to develop actions and structures to ensure a co-ordinated and strategic response from the Northern Ireland Departments to the challenge of creating a more secure, sustainable and affordable energy supply.

5. Should further policy interventions on energy efficiency be on a voluntary basis or mandatory basis?

The Consumer Council believe that as an initial first step to any future energy policy, all possible energy efficiency measures should be maximised throughout Northern Ireland.

The Consumer Council would urge the Government to further examine the possibility of extending energy efficiency related schemes that operate in Great Britain to Northern Ireland, such as the Community

Energy Saving Programme (CESP) and Carbon Emissions Reduction Target (CERT).

Through these schemes, and others, such as Warm Homes, the Prime Minister announced last year set a target of insulating every home in the UK by 2020 - where practical – a measure which it is believed could save up to £300 a year on energy bills. In addition, schemes such as CERT, offer the additional support of targeted advice to households and businesses on improving their energy efficiency and reducing their bills.

The Consumer Council would welcome working in partnership with other organisations such as the Energy Savings Trust, to ensure that the energy efficiency message is educated to customers and understood. We also believe greater emphasis needs to be placed onto how best to signpost consumers to successfully gain the support for energy efficiency measures that are currently available.

Both local and national Government also have an important role to play, in developing energy efficiency within Northern Ireland, by ensuring that their estate, procurement, and project appraisals maximise the energy efficiency potential that is available to them. By leading by example and undertaking such best practice, they will be in a better position to persuade consumers to undertake similar measures in their own homes and businesses.

7. Should energy efficiency interventions be on as broad a base as possible or should they only be targeted at specific sectors?

Energy efficiency has long been recognised as one of the most cost effective and practical measure for delivering both climate and energy security whilst supporting sustainable economic growth.

If installed correctly, energy efficiency measures have the opportunity to reduce energy consumption, and therefore provide both business and household consumers with lower, more affordable energy bills.

The energy efficiency potential of Northern Ireland needs to be maximised, and consumers will need support and advice on how best to implement and fund such measures in their household or business. A more targeted approach is needed by Government and support agencies to signpost consumers towards the best possible advice and financial support so that they can make objective choices when installing and investing in energy efficiency measures.

The Consumer Council recognise that targeted interventions may be needed if certain sectors are unable, or unwilling to maximise their energy efficiency potential.

Targeted support is needed for those households currently suffering from fuel poverty. Energy Efficiency measures could enable some households to make savings of up to £300 a year on their energy bills, which would make a major impact to fuel poverty levels in Northern Ireland. Such support could be undertaken by an expansion of the Warm Homes scheme, or through other targeted packages, such as occurred in Great Britain with the Community Energy Saving Programme (CESP).

7. Should the Department seek to stimulate the use of CHP to improve resource efficiency and to contribute to the heat market?

The Consumer Council recognises the value that technologies such as Combined Heat and Power can bring to the energy mix within Northern Ireland. The Consumer Council would ask the Government that any energy infrastructure proposal is subject to a transparent and accountable cost-benefit analysis to ensure that the consumer obtains the best deal possible deal.

8. **Compliance with Part F of the Building Regulations is based on meeting a target CO2 emissions rate for a building. Following this most, if not all, new buildings will incorporate some form of micro-generation as Building Regulations move towards zero-carbon standard. Do you agree with this approach, which is being adopted by the Department of Finance and Personnel in the Building Regulations, to mainstreaming micro-generation in new buildings?**

Building regulations need to be in place so that all new buildings encapsulate the highest level of energy efficiency standards and possible micro-generation technologies. It is important that going forward the energy efficiency and energy usage problems of Northern Ireland's existing housing stock are not exacerbated. Poorly designed buildings can lead to many consumers to paying energy bills that are unnecessarily high - which can ultimately lead to them suffering from fuel poverty.

The Consumer Council is keen to work with the Department of Finance and Personnel to develop to raise consumer awareness and generate demand for low and zero carbon homes, which if built correctly can reduce consumer energy bills and carbon emissions.

The Consumer Council recognises the work of the Zero Carbon Hub in England, which is a public/private partnership established to take day-to-day operational responsibility for co-ordinating delivery of low and zero carbon new homes. The Consumer Council would encourage the Government to see if the partnership could be extended, or replicated, in Northern Ireland, all with the statutory target that all new homes meet a 'zero carbon' standard.

It is in the long-term interests of Northern Ireland's Building industry that Building Regulations reflect the best standards in England and the rest of Europe, so that that they can develop the necessary skills to compete with their counterparts elsewhere.

9. Infrastructure

9.1. Mutualisation

The Consumer Council would ask the Government to give consideration to mutualisation as a potential model for ownership of energy infrastructure in Northern Ireland. Northern Ireland Energy Holdings is such a mutualised company and the Consumer Council believe it represent a model of ownership that has the potential to bring short and long term benefits to the consumers of Northern Ireland.

9.2. Gas Storage

The Consumer Council is encouraged to see real commercial interest in the possibility of developing a gas storage facility in Northern Ireland. The Consumer Council believe that if managed correctly the gas storage facility would not only provide additional security of supply, but also help consumers to the avoid some of winter price spikes in wholesale gas.

9.3. On a commercial level, the Consumer Council recognises the economic potential of such a facility to export of stored gas to Great Britain and to the Republic of Ireland, which will provide further benefits to the Northern Ireland economy.

9.4. The Consumer Council believes such a facility could be funded through the private sector and costs recovered by the users of the system.

9.5. Generation

Following, the publication of last year's McIlDoon Report, "Northern Ireland Electricity Customers – Orphans in the Energy Storm", the Consumer Council are concerned how electricity generation is rewarded in Northern Ireland. The McIlDoon report says that,

“the way in which we reward generators gives customers the worst possible outcome.”

- 9.6. Generation makes up around 75 per cent of the price electricity consumers pay for their electricity, for business customers this can be an even greater percentage. Reducing the cost of generation must therefore be a crucial element in getting a better deal for consumers.
- 9.7. The McIlDoon Report highlights the present way in which generators are collectively rewarded means that the consumer is paying an unfair price for their electricity, which the Consumer Council believe is economically unnecessary, socially unjust and should not occur to the regulated elements of electricity supply in Northern Ireland.
- 9.8. The Consumer Council is concerned that the only significant cost in the electricity supply industry which is not transparent is the cost of procuring and operating generation. Unfortunately for consumers it is the most significant part of their electricity bill. All the other elements (around 25% of the electricity price) of the electricity bill are transparent and regulated – fuel costs, supply margin, transmission and distribution costs, etc.
- 9.9. Greater examination of the McIlDoon Report is needed by Government to ensure that the consumer is provided with the least cost system for generation, and that generators are not being over rewarded.
- 9.10. The Consumer Council is undertaking its own critical analysis on the McIlDoon report and once finalised we will look to share its findings with the Government, the Utility Regulator and other stakeholders.

9.11. **Planning**

The Consumer Council believe that planning reform in Northern Ireland that supports major infrastructure projects needs to be implemented without delay. For such projects dates like 2020 are only a short distance away.

9.12. The Consumer Council has responded to the Government's recent Planning Reform Consultation. Our response sets out that as planning policy will affect all consumers throughout Northern Ireland it is vital that the importance of consultation with consumers is recognised and carried out at all stages of the planning process.

9.13. Government needs to ensure that planning supports the deployment of sustainable energy technologies, to ensure that there is greater clarity and predictability in the planning framework for nationally significant energy infrastructure and better opportunities for the public to engage with the process, with increased transparency and accountability for decisions.

9.14. Government action is needed at a National and local level to ensure energy infrastructure are correctly supported whilst ensuring development takes place in appropriate places, at the right time, and in a way that gives business the confidence to invest.

9.15. **CONSULTATION QUESTIONS**

Infrastructure

1. If grid development is considered essential to ensuring a greater proportion of our power generation is from renewable sources, what additional actions should be considered to expedite this work? How do we gain greater public acceptance of grid strengthening measures?

A robust and stable electricity transmission system is critical to Northern Ireland's economy, and we understand that strategic

upgrading of the current electricity infrastructure will be needed if in the future a greater proportion of Northern Ireland's power generation is to come from renewable sources.

This work will only be advanced if Government, the 11 new District Councils, the Energy Industry and Consumers strategically work together in partnership, to understand and then develop the grid infrastructure that Northern Ireland will need.

Greater public acceptance of grid strengthening measures will only occur if there is a greater understanding at a local and national level with community groups, district councils, consumer groups etc. about the need for such work. The Consumer Council is of the opinion that such discussions need to take place against a larger backdrop of discussions about Northern Ireland's overall Strategic Energy Framework, so that such bodies understand and are aware of the bigger picture and its direction.

There also needs to be a greater balance between the local and national needs when developing grid infrastructure, so that local communities, possibly through local infrastructure projects, can see the benefits of such projects of national importance.

2. Are we making sufficient use of current electricity interconnection capacity?

The Consumer Council has no evidence to suggest one way or the other about the use of the current electricity interconnection capacity. However, the Consumer Council would ask the Government, the Utility Regulator and the Energy Industry to assure the consumer that the existing infrastructure is being used in a manner which gains the best deal/price for the consumer.

3. Given the SEM, is further connection/ capacity between the island of Ireland and Great Britain needed to facilitate longer term regional integration of electricity markets?

The Consumer Council recognises the benefit that the Moyle Interconnector has brought to Northern Ireland's energy security and grid stability.

The Consumer Council welcomes Bord Pleanala's recent approval for a new interconnector linking Ireland to Wales, which should assure an even more diverse electricity supply across the island of Ireland, and allow for a necessary downward momentum on electricity prices.

The Consumer Council welcomes the financial model for this East West Interconnector development which will be completely funded by the private sector and is a market-based solution, as its costs will not be recovered by increasing use of system tariffs for consumers in either UK or Ireland, but rather by the users of the cable, large wholesale energy traders.

The additional capacity provided by GB-Island of Ireland interconnectors could make the SEM more attractive for new market entrants to invest; by joining the two markets it will allow Irish suppliers to access power in the UK and for UK based suppliers to enter the Irish market, which should hopefully mean lower prices for consumers.

5. How important is it to have natural gas available more widely throughout Northern Ireland? If gas is not available in certain areas, what support, if any, should be provided for alternative energy sources in such areas to help shift usage away from oil?

The economic case for the roll-out of the existing gas network was built around the availability of sizeable sources/areas of customer demand; through the Greater Belfast area, Ballylumford, and Coolkeeragh power stations. If the gas network is to be extended to areas where there is less density of population and associated industry, the Consumer

Council is concerned about the economics of developing new networks present new challenges, and ultimately who pays for this extension. Full and transparent cost/benefit analysis will be needed to see if there should be a further roll-out of the gas network in Northern Ireland.

The Consumer Council recognises the benefits of gas in terms of other heating sources, especially other fossil fuels, in terms of costs, efficiency, ease of use, and the carbon emissions saved. For this reason the Consumer Council would wish to see the existing gas network maximised, and would call on the Government, both at local and national level to do so across its own estate, which would help to spread the cost of the existing gas network over a larger customer base, and hopefully reduce future gas prices.

The Consumer Council would also like to sound a note of caution. Malcolm Wicks MP's recent report – Energy Security, a national challenge in a changing world - highlighted that the world's natural gas reserves are running out. The report stated that cautious estimates suggest a peak in the global production, with maybe around 70 years of reserves based on current production. The Consumer Council is concerned that the report highlighted the belief of some commentators, that by 2020 the UK will be importing 90% of its natural gas; with the resulting price volatility this places on the domestic and business market, and its customer base.

Therefore, the Consumer Council believes that the Government when examining the cost/benefits of extending the existing gas network, it also needs to seek independent advice over what the cost of gas will be in 2020 against other fuel sources, and see if these costs will be socially acceptable, in terms of fuel poverty and general affordability.

The Consumer Council would like to caution that many rural areas of Northern Ireland are unlikely to be ever connected to the gas network. Other viable solutions need to be found for these consumers,

particularly those suffering from fuel poverty. Solutions could include alternative energy sources such as micro-generation and community type CHP projects.

5. How essential is strategic energy storage for Northern Ireland? What technologies should be considered?

Northern Ireland and its consumers should have greater control and choice over the energy sources that they use. The Consumer Council understands that strategic energy storage is expensive, but recognise that it could provide respite, albeit limited, to consumers in response to high energy prices, winter fuel spikes, and security of supply issues.

The Consumer Council believe ultimately that any decision must be made on the basis of what is the best solution for Northern Ireland's consumers, in terms of the possible price smoothing and security of supply benefits that strategic storage could bring.

The Consumer Council would ask the Government to investigate if even greater benefits could be brought to the consumer if such strategic storage was financed through a mutualised funding model, as currently occurs with the Moyle Interconnector and the Scotland to Northern Ireland natural gas transmission pipeline (SNIP), which benefits from low financing rates, and where there is a potential for returns to customers through profits as no profits need to be returned to shareholders.

10. Cross Cutting Themes and Engagement

- 10.1. The consultation document on a future Strategic Energy Framework sets out a huge challenge to develop Northern Ireland's energy future in a low-carbon and sustainable manner. The Consumer Council believe that this is only possible if Government undertakes cross cutting strategic action, which clearly sets out sector-by-sector (Energy, Transport, Water, Farming, Public Sector etc.) what

renewable targets, and carbon savings, and how every department across Government will take responsibility.

10.2. In Great Britain, the Department of Energy and Climate Change has been formed to bring together both energy and climate change policy into one government department. The new Department reflects the fact decisions in one field cannot be made without considering the impacts in the other, and that energy policy needs to ensure that in the move to a low-carbon future that energy is secure, affordable and efficient. The Consumer Council would ask government within Northern Ireland to watch the development of this department, to see if this joined-up approach brings greater benefits for consumers (in terms of more affordable energy and secure supplies) and the environment within Great Britain.

10.3. For this Strategic Energy framework to succeed it must ensure affordable energy prices and give greater support to the most vulnerable. Only then, can every business, every community and household that need to be involved, can become involved and understand the role that they need to play.

10.4. CONSULTATION QUESTIONS

Cross Cutting Themes & Engagement

1. How can DETI and the other relevant Departments best ensure a coherent and integrated energy policy that incorporates policy drivers such as climate change, sustainability, energy efficiency and demand management, and social action on fuel prices?

It is essential that all Government Departments work together to ensure that a future Strategic Energy Framework for Northern Ireland has the best chance of being successful, and that any framework covers the full breadth of policy issues that are affected by energy policy which include sustainability, affordability, fuel poverty, climate change, energy efficiency, demand management, business development, social

development, regional development, agriculture, transport, health, education, and local communities. The Consumer Council would call on the Government to work together to achieve a coherent and proactive policy framework for Northern Ireland's energy future.

All Government Departments, related agencies, and Local Government have a role to play by leading by example, and ensuring the principles and policies within a future Strategic Energy Framework are reflected in such organisations own practices and procedures, and that they manage their own estate, undertake procurement and project work in a manner that is sustainable and energy efficient. This will not only help in communicating the message to the general public, who can see government is practicing what it preaches, but also and bring a real, practical, and sustained boost to the "green" economy within Northern Ireland.

2. How can the contribution of other players in the energy arena be harnessed and maximised for the benefit of Northern Ireland plc?

The Consumer Council welcomes the work that DETI and Invest NI have been undertaking to develop NI Energy & Environment Conference 2009, which is the biggest renewable energy conference to be ever to be held in Northern Ireland. This conference looks at business opportunities within this sector, but the Consumer Council would be keen to see further seminars/workshops with a variety of different focus groups, such as community, rural, poverty, and consumer organisations in Northern Ireland, to understand individual concerns, and look at how different organisations contributions can be harnessed and maximised for the benefit of all individual businesses, organisations and households across Northern Ireland.

3. Do consultees agree with the approach of developing a unifying communications strategy that incorporates all stakeholders and Departments equally?

A unifying communication strategy is vital if the Strategic energy Framework is to succeed. We would look forward to working with all Government Departments and other stakeholders to help develop this.

11. Conclusion

- 11.1. The Consumer Council recognises that Northern Ireland's energy strategy, as with that of the rest of the world, is at a crossroads. Decisions that will impact on Northern Ireland's society, economy and environment for years to come must now be made. Every proposal and decision made will affect the consumer and hence the consumer must be at the heart of the strategy.
- 11.2. We recognise that the consumer must play their part as Northern Ireland moves to a low carbon energy sector, but this responsibility must be fairly shared with business and government.
- 11.3. The Consumer Council supports the Departments new strategic goal to increase the amount of electricity from renewable sources to 40 per cent by 2020. However, in order for this target to be more than inspirational, a robust strategy with definite, measurable and achievable targets and milestones must be produced.
- 11.4. Transparency and openness will be vital to achieve customer 'buy-in' to the strategies aims,. All costs and benefits must be stringently analysed and presented to public scrutiny. Data must be robust to ensure no 'credibility gap' emerges.

11.5. The Consumer Council looks forward to continuing to working closely with the Department to ensure that as the Strategy develops the consumer voice is heard and counts.