

Patrick Neeson  
Department of Finance and personnel  
Rating policy Division  
Room D12 Rathgael House  
Balloo Road  
BANGOR  
BT19 7NA

19 September 2008

Dear Patrick

**Review of Domestic Rating; Green Rebates; Public Consultation Document  
July 2008**

Thank you for the opportunity to respond to the above consultation. The Northern Ireland Authority For Utility Regulation, (the Utility Regulator) has a keen interest in the promotion of energy efficiency and welcomes this opportunity.

- 1 The Northern Ireland Authority for Utility Regulation (the Utility Regulator) is a non-Ministerial Government Department. We are responsible for regulating the electricity and gas industries, and water and sewerage services in Northern Ireland. Our duties are set out in the Energy (Northern Ireland) Order 2003 and the Water and Sewerage Services (Northern Ireland) Order 2006. Under the Energy (Northern Ireland) Order 2003 we have a duty to carry out our statutory functions in the manner which is best calculated to promote the efficient use of electricity and gas.

- 2 We are not a policy-making department of Government and make sure that the utility industries in Northern Ireland are regulated and developed within policy guidelines set out by the Minister for Regional Development and the Minister for Enterprise, Trade and Investment. The Utility Regulator is accountable to the NI Assembly through financial and annual reporting obligations.
  
- 3 The Utility Regulator works to protect the interests of electricity, gas and water consumers in Northern Ireland by:
  - a. issuing licenses for utility companies to operate in Northern Ireland, and regularly monitoring and reviewing these;
  - b. making sure that utility companies comply with the relevant legislation in carrying out their work;
  - c. encouraging companies to be more efficient;
  - d. working to encourage competition in utility markets where appropriate;
  - e. acting as an adjudicator on customer complaints, disputes and appeals.
  - f. in carrying out our work we also aim to take account of the needs of vulnerable consumers. We also have due regard for the environment and we are also considering how we may contribute to the promotion of sustainable development in exercising our regulatory duties.
  
- 4 The Northern Ireland Energy Efficiency Levy (EEL) is the main means by which the Utility Regulator seeks to promote efficiency in the use of electricity and gas. Regulatory energy efficiency programmes have been running in Northern Ireland continuously since the 1997/8 year when the then Office for the Regulation of Electricity and Gas (Ofreg), now the Utility Regulator, introduced the EEL programme.

- 5 The EEL programme was introduced in Northern Ireland as part of a review of the Price Controls on Northern Ireland Electricity plc (NIE). The EEL is not a legal obligation on electricity suppliers in Northern Ireland and funding from the levy is available to all licensed electricity suppliers wishing to promote projects.
  
- 6 As initially conceived the EEL was introduced to implement energy efficiency schemes for customers with the aim of reducing carbon emissions. However with the eradication of fuel poverty steadily moving up the ladder of Government priorities, and as a result of a consultative process in Northern Ireland, it was decided that the majority of levy funding (80%) would be targeted at helping to alleviate fuel poverty by improving poorly heated and inadequately insulated domestic properties.
  
- 7 The Utility Regulator is currently conducting a review of the EEL. The full consultation document is available at;  
<http://ofreg.nics.gov.uk/01%20August%202008.htm>

Response to the consultation questions:

Q1 What are your views on the proposal to provide a rates rebate for households that carry out energy efficiency improvements to their properties?

The Utility Regulator supports the proposal to provide a rates rebate for households that carry out energy efficiency improvements.

Q2 What are your views on the preferred means of delivery for the rate, rebate, that is in partnership with the NIE Energy insulation cash-back scheme?

- The Utility Regulator has a statutory duty to promote competition in the supply of electricity and gas. A high profile partnership between NIE

Energy and DFP could potentially affect the development of competition in the market for domestic electricity supply. This is because it could promote the NIE Energy brand. We note from the consultation paper that DFP have stated that should other energy suppliers enter them market it would be “factored in”. We suggest that a direct partnership with EST, EAGA or one of the many other organisations in Northern Ireland working in the field of energy efficiency could be a means to ensure that the issue of other suppliers entering the market is dealt with now. In any event we note that EST and Eaga already do much of the administration and implementation on behalf of NIE Energy. All of the referrals for the NIE Energy scheme are already processed by the EST advice centre, who make the application forms available on line. Therefore two separate application forms should not be overly onerous from the customers’ point of view. EST advisers would be on hand to prevent confusion and advise customers on whether the cash back or the rate rebate is more appropriate depending on individual circumstances. In addition two separate application forms should not add significant extra administration cost as under the current proposal the existing NIE Energy form would need to be redesigned to accommodate the proposed NIE Energy/DFP partnership.

- The NIE Energy insulation cash-back scheme, or “Insulation Plus” as it is now known, is one of a number of schemes which receive funding under the EEL. As noted in the consultation, the EEL is currently under review and the results of the review will be available later this year. In addition the cash back scheme has to date applied for and received funding on the basis of one year’s operation at a time. Proposals for energy saving schemes compete for EEL funding each year and the available funds are distributed on the basis of, among other things, cost effectiveness. Therefore there is no guarantee that the NIE Energy Insulation Plus scheme will receive funding beyond the current levy year. It is possible that the available funding for the 09/10 year could be allocated to other

proposals depending on cost effectiveness. Again a direct partnership between DFP and an independent energy efficiency organisation would negate the problem of, “what happens if the NIE Energy scheme is refused EEL funding in any particular year?”

- The EEL is set up to incentivise participants to lever in additional money from partner organisations. For the avoidance of doubt DFP funding in partnership with NIE Energy, or any other supplier, will not be considered as additional funding for the purpose of incentive calculations.

Q3 What are your views on limiting the rate rebate scheme to owner occupying households only?

No comment.

Q4 What are your views on the option of providing a higher level of rebate than is currently awarded in terms of the cash-back scheme?

We consider that in the first instance it is likely to be necessary to offer customers a higher level of rate rebate than is currently on offer by the cash back scheme. This will be necessary to compensate customers for the fact that cash back is immediate while the benefit of the rate rebate would be delayed. However it should be noted that there are often more potential applicants for the cash back scheme than the scheme funding can accommodate. Once the available funding is used up the scheme is closed to further applicants. Therefore we would expect that in years where the available cash-back funding is exhausted quickly there will be a number of applicants with only one option – that of the rates rebate. Again in this instance it may be more appropriate to have two separate forms.

Q5 What are your views on the proposal to introduce an initial exemption for new zero carbon homes?

We support DFP's proposal for an initial exemption for new zero carbon homes.

Q6 What are your views on providing this initial exemption to the first residents, rather than first purchaser, of such homes so that self builds and buy to lets are included)?

We support this proposal as it extends the benefits of the scheme to the rented sector.

Q7 What are your views on the Department's approach to the definition of 'zero carbon'?

We have no comment.

Sarah Brady  
Head of Social and Environmental Policy  
Northern Ireland Authority for Utility Regulation



