

Fuel poverty interventions: a utility perspective

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Background

NIE Energy

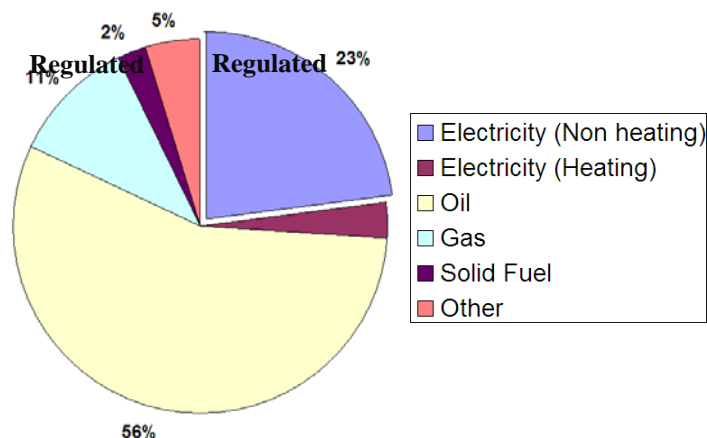
- Electricity supply company operating in Northern Ireland (domestic market in NI is regulated)
- Part of the Viridian Group, owned by Arcapita
- We employ c 120 staff in 3 locations in Northern Ireland
- NIE Energy is regulated through a Price Control which sets the margin we can earn (1.8%)
- We supply c.775,000 customers (55% market share by sales)
 - 730,000 homes
 - 45,000 SME



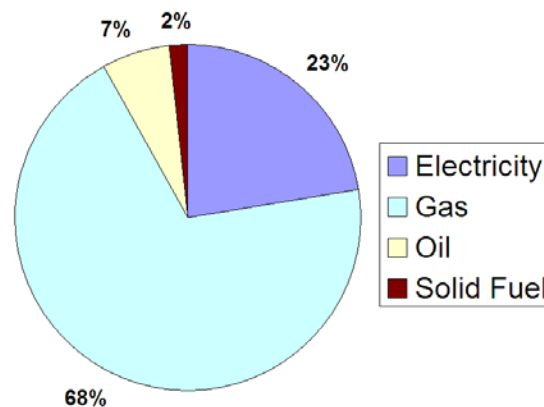
Energy consumption in Northern Ireland households

- NI households consume approximately 13,200 GWh (£1.1bn)
 - c77% heating
 - c23% power
- NI household fuel mix is very different from GB
 - Oil has largest market share 56% (vs 7% in GB)
- NI's regulated gas and electricity suppliers only account for c37% of the household energy market
- In GB the Gas and Electricity suppliers account for >90% of the market

NI Household Energy Consumption (GWh)



GB Household Energy Consumption (GWh)



Fuel poverty interventions

Energy saving

Fuel prices

Income maximisation

Energy saving programmes – NISEP

- NISEP is a regulatory programme to provide funding for energy efficiency
- Collected from all customers as part of network charges
- Programme sets an energy saving target and offers incentives for outperforming
- NIE Energy has successfully managed a range of energy saving programmes, particularly directed at the fuel poor and has over exceeded targets (and so earned financial incentives)
- Typical schemes for low income customers:
 - Energy Saver Homes – free heating and insulation
 - Free insulation
 - Cosy homes
- Standardised energy savings are quantified eg in vulnerable customer element of 2009/10 programme, we managed funding of £4.4m and generated lifetime customer savings of 248.8 GWh and £20m.

Energy efficiency programmes – hard to treat homes

- Programme in conjunction with Department for Social Development
- 46 homes – rural/coastal, solid wall, off the gas network
- Standard energy efficiency measures, plus some additional measures eg solid wall insulation, SWH, PV, wood pellet boiler, wood pellet stove
- Monitored both energy use (LCS) and health/ well being (University of Ulster)
- Results were very positive:
 - £297 annual saving
 - Heating bills 23% lower
 - Mental well being significantly improved
 - Significant changes in thermal comfort



Income maximisation: For Your Benefit campaign

- Funded by NIE and managed by NIE Energy
- NIE Energy direct mail to certain customer groups
- 13,457 Benefit Entitlement Checks completed by a range of delivery partners
- 41% identified additional unclaimed benefit.
- Over £14.6 million of benefits identified
 - £2,640 per year
 - £50 per week



Keypad – PAYG meter solution

- NIEE set out to replace 75k powercard meters – now 257k keypad meters
- 34% of NIE Energy domestic customer base – across a range of socio-economic groups
- Pay-as-you-go attracts a 2.5% customer discount – lower cost to serve
- Customers buy electricity through Paypoint, Payzone, Post Office, telephone or web
- Low levels of debt
- Very customer friendly – helps with budgeting and ‘friendly credit’ option minimises self disconnection
- Provides customers with useful current and historical consumption information – keypad customers tend to use 4% less electricity



Conclusions

Benefits to the utility

- Positive corporate social responsibility
- Customers have positive relationship with energy supplier and hopefully remain loyal
- Lower 'cost to serve' eg keypad customers don't get bills, rarely contact us by telephone and don't run up debt
- We may be able to earn incentives, in the appropriate regulatory structure
- In theory, customers with lower bills should find it easier to pay their bills (although we have never tested this and very often, we help save another fuel eg oil)

Some thoughts

- Use regulation to align positive customer and utility outcomes eg incentivise utilities to help the fuel poor
- Carrots are better than sticks
- Regulator 'social action plans' provide a minimum level of customer protection – a good utility will go further to satisfy its customers needs
- Data protection considerations – utilities aren't always the right organisation to address fuel poverty
- Need for partnerships – government, utilities, community organisations
- Vulnerable customers often struggle with the upheaval – need for family support and 'hand-holding'