

Belfast City Council's Response to the Utility Regulator's Consultation Paper:-

Assisting with Affordability Concerns for Vulnerable Energy Consumers

Introduction

Belfast City Council welcomes the Utility Regulator's Contribution to the debate on the options for the introduction of extra help for vulnerable customers in relation to their energy costs. In particular, the Council is very concerned about current levels of fuel poverty and is keen to facilitate any efforts designed to reduce the number of people, particularly vulnerable individuals, who are fuel poor.

The Council notes that this consultation is specifically in response to the Minister's Fuel Poverty Task Force request to the Utility Regulator to assist with the formulation of policy options in relation to the introduction of "social tariffs" in the energy sector in Northern Ireland.

The Role of the Utility Regulator

The Council notes that the role of the Utility Regulator is limited to electricity consumers and the gas industry. Fuel oil, on the other hand, which is the main energy source for domestic premises in Northern Ireland, is not regulated. Recent evidence, however, of increasing oil prices at a time of falling temperatures (January 2010) has graphically illustrated the impact of a non regulated energy sector and demonstrates how exposed vulnerable people are to the problem of fuel poverty in this non-regulated sector.

Staged Approach

The Regulator has suggested that the consultation should proceed through a staged process involving the setting out of broad policy questions (Stage 1), an analysis of the options for going forward (Stage 2) before implementation (Stage 3). The Consultation paper however concentrates specifically on Stage 1. The Council does not disagree with the logic of a staged approach to affordability policy/scheme development, however there is an imperative to take action sooner rather than later to address fuel poverty and the Regulator's proposed staged approach brings with it the possibility of a protracted process. Urgent and effective action is required and the Council would be concerned that the development of social tariffs may simply take too long.

Social Tariffs

If the objectives of the Fuel Poverty Task Force around the formulation of policy options in relation to the introduction of social tariffs are to be achieved then the Regulator would require the appropriate statutory remit to begin to tackle affordability issues. The Utility Regulator Board has stated that it could not proactively lead initiatives on affordability tariffs as it may not be in the interests of all consumers. Also, the Regulator has acknowledged that, with regard to fuel poverty, it has limited influence as it does not have a specific statutory remit to address fuel poverty. The Council would therefore support the view that the Utility Regulator should not be constrained in seeking to address fuel poverty by virtue of a limited remit and should be able to consider all consumers. Clearly statutory authorities, such as the Utility Regulator, should have sufficient mandate to deliver initiatives that directly benefit the fuel poor.

Options

The focus on the development of social tariffs should not of itself presume that this is the principal or best means for addressing fuel poverty. The development of social tariffs for the poor will presumably result in an additional cost to others which in turn could move some, who are currently not fuel poor, into fuel poverty. Also, whilst the current approach of cold weather payments does benefit many of the fuel poor, its universal application means that some of it goes to people who do not fit the definition of 'fuel poor'. In effect, much of the finance made available to help the fuel poor is not reaching the right people. The Council is therefore concerned that the focus on fuel poverty is too concentrated on income and on people's ability to pay their heating costs. The Council would therefore suggest that a more pragmatic and permanent approach, focusing on energy efficiency, should also be considered. This could be done by targeting the homes of people in fuel poverty and those who are on low incomes as a priority. This approach would also help to reduce carbon emissions with the added benefits of improved air quality whilst contributing to the battle against global warming.

According to the Institute of Public Policy Research, this winter's prolonged cold weather contributed to the deaths of 36,000 people across the United Kingdom, which is 49% more than the year before. Improving thermal insulation, particularly for the elderly and vulnerable, allows people to remain in their own homes and out of hospital thus reducing health costs as well as being good for the environment.

Whilst Belfast City Council would support the principle of affordable social tariffs as a tool in the fight to reduce fuel poverty it is important that the approach of the Fuel Poverty Task Force does not preclude detailed consideration of targeting energy inefficient homes. This could be done on a phased basis, focusing on those on low incomes or in specific geographical areas, as a practical, effective and permanent method of dealing with this important and growing problem.

Conclusion

The Council notes that the Regulator recognises that fuel poverty is multi-factorial and suggests that a more specialist category be used to define those that need support, such as "fuel poverty vulnerable", is required. The Council would suggest that the issues raised by Question 14 (Chapter 5) in the Consultation document, *"Respondents' views are welcome on the issues raised in relation to identifying eligible customers"* goes to the heart of the issue. The views therefore expressed by the Council seek, in the main, to provide an answer to this.

Although the Council currently has no specific remit to address fuel poverty it is important to point out that, under the DSD's recently published draft Regeneration and Housing Bill, there are proposals to provide all Councils with powers to promote domestic energy efficiency, including powers to provide funding or other assistance and produce action plans to improve domestic energy efficiency. Belfast City Council therefore anticipates that its influence in assisting in the development of policy options in relation to energy efficiency, and therefore in fuel poverty, will increase significantly in the future.

The Council hopes that these comments will help to inform the debate around fuel poverty generally, and the use of social tariffs in particular, and would request that it be included in any future consultations around this issue.

April 2010