

## Options to mitigate fuel price increases

### Using VAT to pay

The Consumer Council put together an estimate of fuel VAT revenue, in the absence of data from Customs and Excise.

We calculated the VAT revenue the Government received in 2007-08, from Northern Ireland for each fuel type based on each domestic customer paying the average bill for that fuel in one year.

We used the same methodology projecting what we estimate the VAT revenue the Government will receive for 2008-09 at May 2008 prices, including the latest NIE Energy price, but no further price increases.

The difference in revenue between 2007-08 and 2008-09 is an increase of £10.6 million.

- If fuel prices stay at the current levels (including NIEE 14% increase), throughout 2008-09, the Government will get an extra £10.6 million VAT revenue above that of 2007-08 from Northern Ireland domestic customers.
- This £10.5 million would pay for a 10% discount off the standard NIE Energy tariff for one year for all households in fuel poverty or a one off payment of £47.
- If Energy prices increase by 15% across all fuels on 2008-2009, the £10.6 million VAT revenue will increase to over £17.5 million.
- £17.5 million would fund a single payment of £78 to all households in fuel poverty.

See chart below

**All figures provide a guide only and give a flavour of the scenario. They are not definitive. They are based on a number of assumptions detailed below the chart.**

	Electric NIEE	Phoenix Natural Gas	Firmus Gas	Oil	Coal	VAT revenue on fuel
Customer base	738,000	106,000	2749	495,548	39,698	
VAT Revenue 2007-2008	13,929,750	2,427,400	70,388	18,567,192	1,598,241	<b>36,592,971</b>
Difference between 07-08 revenue and revenue at 27/5/08 price	2,269,350	678,400	0	7,555,620	188,169	<b>Plus 10,691,539</b>

PTO

**Sources and assumptions;**

**VAT is at 5% on all fuels**

**Electric (NIEE) – based on average consumption of 3300kvh. Average bill for the year reflects two tariffs within the year which gave two annual bills of £370 (April 2007) and £385 (Nov 2007) giving an average of £377.50. Customer base source NIEE. 2008-2009 figure includes 14% increase (to be implemented on 1 July 2008) to £439 per year.**

**Phoenix Natural Gas- based on average consumption of 12173 kwh. Customer base – source PNG. Average bill for 2007-2008 is £458, 2008-09 is £586. Assuming no further tariff increase until April 2009.**

**firmus Gas- based on average consumption of 15240 kwh. Customer base source firmus energy. Firmus gas have a price cap in place until January 2009.**

**Oil- Assuming the average customer has 2 x 900 litre fills per year. Based on average price for 900 litres of £374.68 (2007-2008) and £527.17 per 900 litres at 11<sup>th</sup> May 2008- source- Consumer Council spot price survey of a range of suppliers on 11<sup>th</sup> of each month. Oil prices fluctuate on a daily basis and between companies. The monthly prices used indicate an overall trend throughout the year. Customer Base source is NIHE HCS 2006.**

**Coal: Assuming each household uses 60 bags each year (source Kingsbury fuels) at £13.42 per bag for 2007-08 and £15 per bag for 2008-09, (source- Consumer Council spot price survey in August 2007 and May 2008). Customer base source Coal Advisory Service.**



Elizabeth House, 116 Holywood Road, Belfast, BT4 1NY  
Tel 028 9067 4807/4813 Fax 028 9065 7701 E- mail

Embargoed until 06.30 on Thursday 24 April 2008

## **GAS PRICE HIKE IS CRISIS FOR CONSUMERS' HOUSEHOLD BILL**

The Consumer Council said today that the Phoenix natural gas price hike of 28 per cent could put many low income households in crisis at a time when the cost of living is increasing, and could rise further. It called for the Government to consider what further action can be taken to support people struggling to make ends meet, and to redouble its efforts to make sure everyone is claiming all the benefits they are entitled to.

Eleanor Gill, Chief Executive of the Consumer Council said: "The sheer scale of this gas price increase will leave consumers here reeling at a time when the cost of living has shot up by £1,400<sup>a</sup> in just one year, and they now will have to find an extra £130<sup>b</sup>. A staggering one in three households here is in fuel poverty which is nearly double the rest of the UK<sup>c</sup>. On top of this our incomes are lower and we depend more on benefits<sup>d</sup>.

"Consumers understand that they cannot escape the effects of spiralling worldwide energy costs. The Consumer Council has been consulted on this price review and we consider that this increase fairly reflects the rising global cost of wholesale gas. However, this is cold comfort for those who need help. The Consumer Council is urging the NI Assembly to start serious discussions on how to help people cope.

---

<sup>a</sup> UK figure from the Centre for Economics and Business Research Analysis for ASDA. Published 3 March 2008.

<sup>b</sup> Based on Phoenix Supply Limited's average annual consumption of 12,402 kWh across all payment methods.

<sup>c</sup> Fuel poverty is when a household spends more than ten per cent on energy bills. This figure is based on households in the UK, of which 4.5 million are in fuel poverty minus the 705,000 households in NI, of which 240,000 are in fuel poverty. GB figures from the National Energy Authority and the NI figures are from the Home Energy Conservation Authority Report, 2007.

<sup>d</sup> Lower incomes - National Statistics Family Spending Survey, 2007 edition. Benefits dependence - 16% of NI income comes from social security benefits compared to 12% for the UK (Financial Inclusion Centre)

“The Consumer Council is focused on this issue and is currently undertaking research with the Utility Regulator into how to provide targeted assistance to households that need it most. We believe that the findings and recommendations of this research will be timely and significant in giving the Northern Ireland Executive and others a valuable evidence base for taking decisions on providing special assistance for low income households.

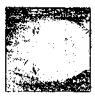
“This is a complex matter which goes beyond the price of energy. Some consumers simply don’t have enough money coming into the house to cope with the rising cost of living here. We need a concerted drive to ensure that everyone is getting the benefits and payments they are entitled to in order to help cover rising household costs.”

ENDS

1. Consumer Council media contact: Susie Brown, telephone, 028 9067 4807 or 07776 198226 or e-mail, [sbrown@consumercouncil.org.uk](mailto:sbrown@consumercouncil.org.uk).
2. The Consumer Council is an independent consumer organisation, working to bring about change to benefit Northern Ireland’s consumers. The Council campaigns for high standards of service and protection and a fair deal for all. It also carries out research, gives advice and publishes reports and other publications. It deals with individual complaints about electricity, natural gas, coal, passenger transport and water.
3. For more information, visit our website at [www.consumercouncil.org.uk](http://www.consumercouncil.org.uk)

# We must help consumers as energy price rises hit home

Today's hike in electricity prices is another blow for beleaguered households in Northern Ireland, says **Eleanor Gill**, chief executive of the Consumer Council



ANOTHER week, another assault on the household bill as electricity prices rise. Compared to this time last year, on average, oil customers are paying £532 more, Phoenix customers have to find another £130, and NIE's a further £69. It's clear that we're witnessing a consumer crunch, with the average family paying up to £40 extra per week for "must-haves" like food, heat, light, petrol and mortgage.

Household bills are rising way above any increase in household incomes. And there could be more to come. There's no one easy solution to this problem. Immediate action must be taken to help consumers this winter alongside

the development of long-term strategies to tackle the consumer impact of the soaring cost of energy on three fronts: energy costs, household income and energy efficiency.

The consumer impact is stark – particularly in Northern Ireland where many are being plunged into financial hardship.

Hard choices will get more desperate as these sunny days turn colder.

The plight of consumers is clear:

- We spend 47% more on energy here
- Fuel poverty is at 34% - double Great Britain
- We have lower incomes than the UK average

● We have higher benefits dependency

● Almost half of households struggling to pay bills

Extraordinary times need extraordinary measures. We believe that the sheer scale of these increases should trigger a special one-off financial payment for vulnerable households this winter.

We need to identify who genuinely needs this help and come up with new ideas about where this money will come from.

The Minister for Social Development, Margaret Ritchie, has recently taken decisive action to help fuel-poor and low-income households by establishing a Taskforce to report back on short and long-term steps to meet the needs of vulnerable consumers in the face of rising energy prices.

We must build on this positive development and come up with innovative solutions like using VAT to provide funds for vulnerable households.

For the longer term, every option must be explored to develop and deliver special lower energy tariffs for vulnerable people who simply cannot afford to pay their energy bills.

In addition, the Winter Fuel Payment must be overhauled as it doesn't get to everyone who needs it.

It's not enough and it wouldn't even pay for half a tank of oil at today's prices. It has been £200 since 2003 – if it was

keeping up with oil prices it would be nearly £700 this year. Every penny counts. We need to make sure that everyone is getting what they are entitled to, and is being as energy efficient as is healthily possible.

There is good work under way to deliver an open, competitive and stable energy market, but consumers here still can't shop around and switch energy suppliers like consumers in the rest of the UK.

The Consumer Council is committed to working with our politicians to tackle this issue and deliver solutions to help people coping with high energy prices.

The talking has started, swift action must follow.

This cutting is reproduced by NIMMS under licence from the NLA. No further copying (including the printing of digital cuttings), digital reproduction or forwarding is permitted except under licence from the NLA. www.nla.co.uk (for newspapers)

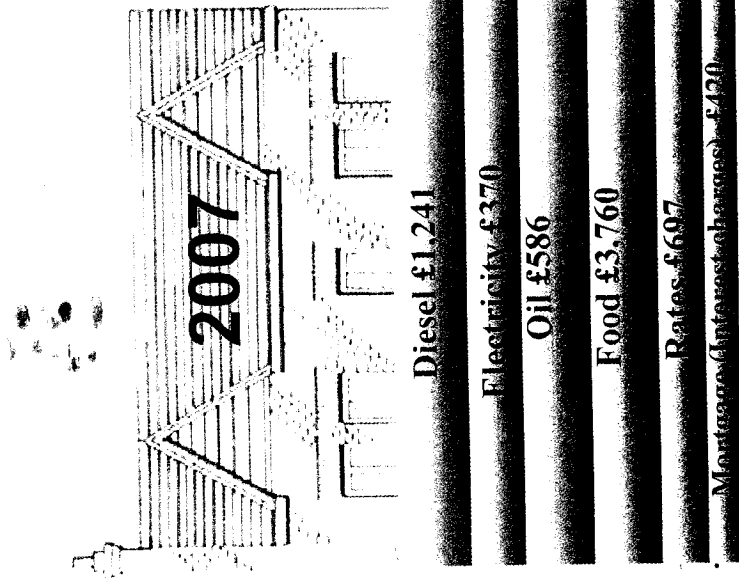


This scenario is based on a family of four (man working full time and woman working part time), capital value of house is £115,500 in Belfast, coming off a two year fixed mortgage deal of £100K onto a variable rate mortgage in May 2008, own a 50 litre diesel car and fill their tank once a fortnight, use two fills of oil (900 litres) per year and electricity prices are taken from NIE's Home Energy Tariff in May 2007 and using new tariff to be implemented on 1 July 2008 (announced 28 May 2008). Income figures for 2008 are projected based on National Statistics Labour Market Average Earnings showing that average earnings rose by 3.8% to end of February 2008. (Further sources: income figures for 2007 based on DETI Labour Market Report, April 2008; diesel prices are from AA, 23 May 2008; oil figures are based on Consumer Council snapshot survey of oil prices based on 19 suppliers taken on 11 May 2007 and 22 May 2008; mortgage interest charges are from Financial Inclusion Centre, 13 May 2008; and rates from Land and Property Services Northern Ireland; food prices are based on average NI spend on food from Family Spending Survey 2007 and research from mysupermarket.com on percentage price increase).

## 2007

**Annual Income**  
£29,645

**Annual Essentials**  
**Expenditure 2007 = £7,074**

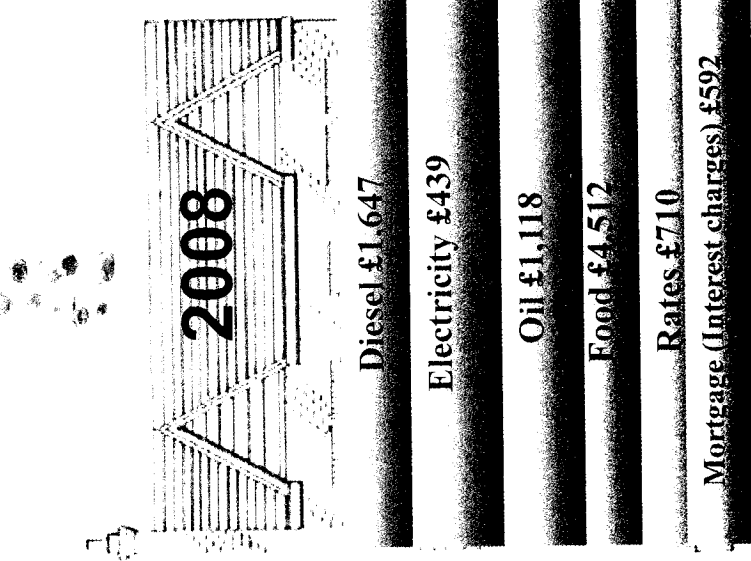


Annual % of income spent on energy and food in 2007 = 16%

## 2008

**Annual Income**  
(Projected) £30,772

**Annual Essentials**  
**Expenditure 2008 = £9,018**



Annual % of income spent on energy and food in 2008 = 20%

**Annual Essentials**  
**Increased £1,944,**  
**up 27%**

↓ Diesel £406, up 33%

↓ Electricity £69, up 19%

↓ Oil £532, up 91%

↓ Food £752, up 20%

↓ Rates £13, up 2%

↓ Mortgage (Interest Charges) £172, up 41%