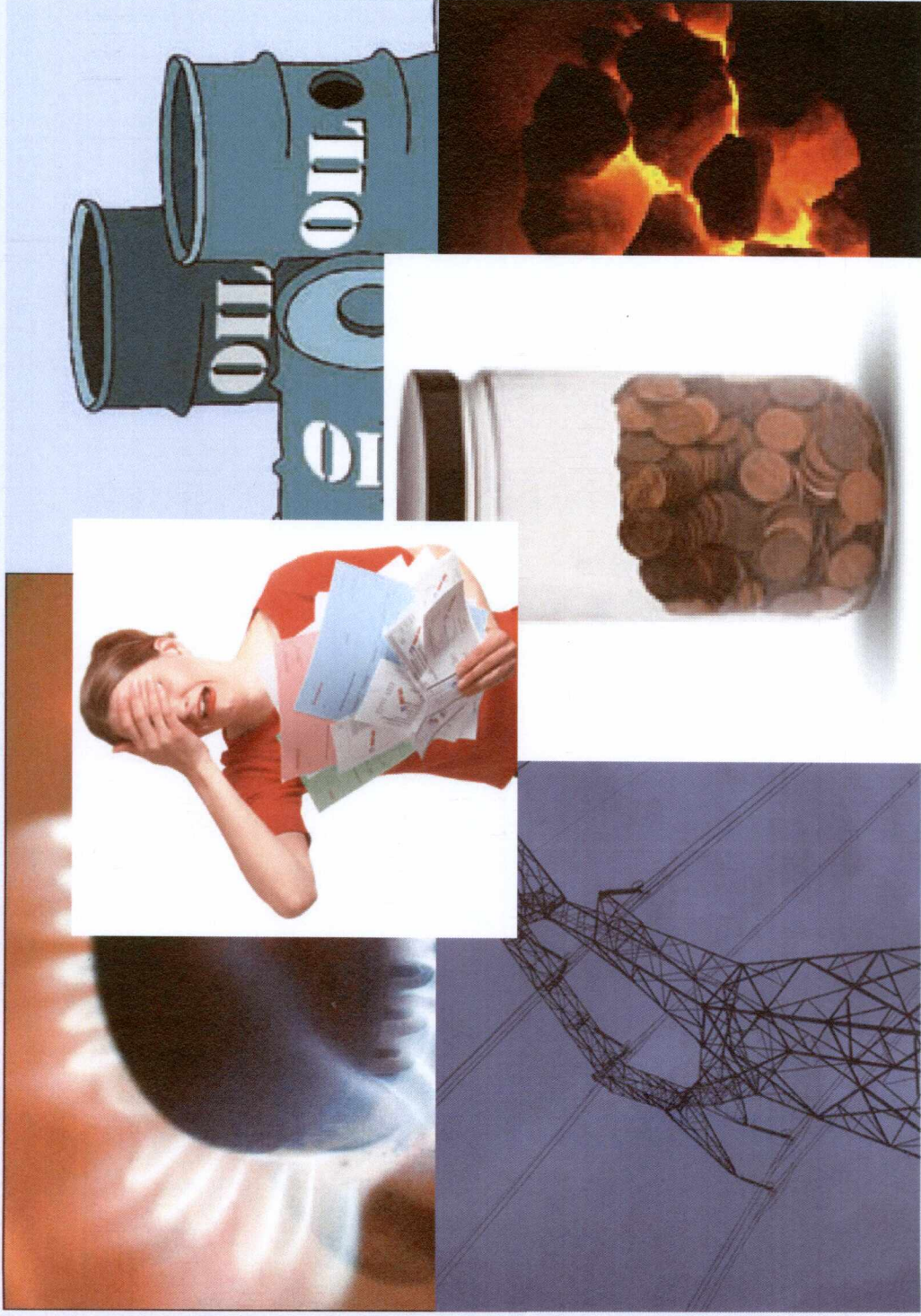


Energy Bills and the Consumer



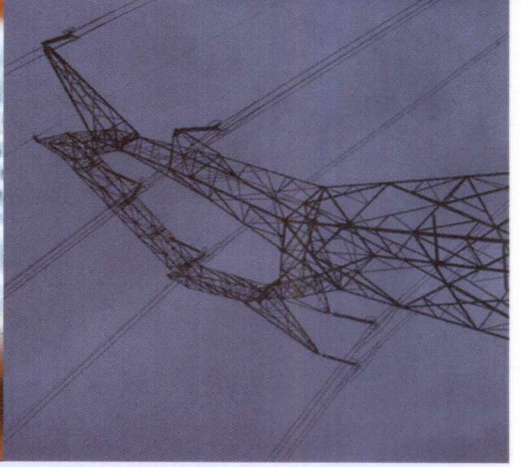
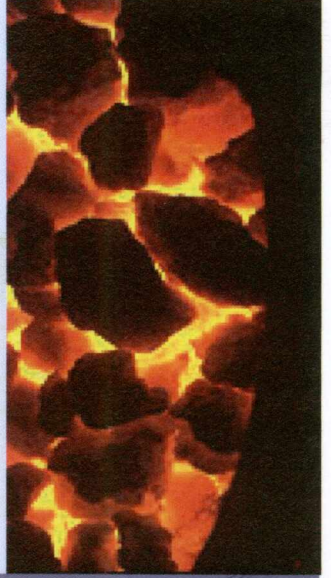
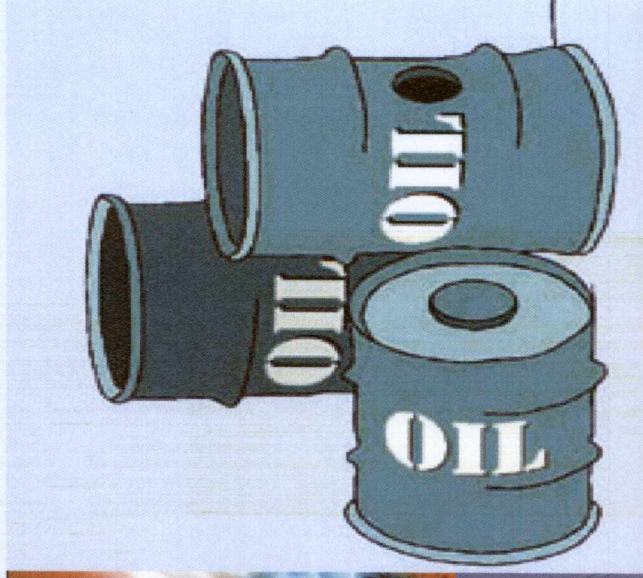
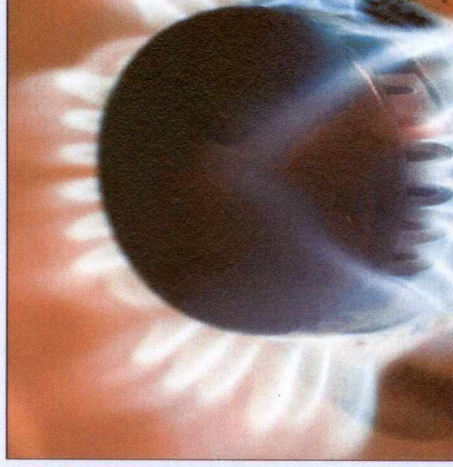
Presentation to the ETI Committee
15 May 2008

Discussion Areas ...

- Rising Energy Prices and the Consumer
 - The Why and The Impact
- Mitigating the Impact?
 - Short Term
 - Long Term
- Next Steps - Discussion

Sharply Rising Prices: Why?

- Global Factors
 - Supply, Demand, Political
- Local Factors
 - Geographic, Legacy, Monopolies, Fuel Mix
- Not Over Yet
 - Short and Long Term



Energy Prices NI v GB

	NI Prices	% NI Increase Since 2003	GB Prices	% Difference
Natural Gas	£586	135%	£380	54% more expensive
Electricity*	£443	36%	£412	8% more expensive
Oil	£1027	219%	£1035	1% cheaper
Coal	£900	66%	£720	25% more expensive

*Speculated figure by Utility Regulator of 15% increase by NIE

Natural gas prices are based on 12,173 KWh per annum (PSL average); electricity 3300kWh per annum; Oil prices are based on two fills of 900 litres; Coal prices are based on 3 tonne a year usage delivered in 50kg bags (60 bags=3 tonne) (NI Group 2)

How are Households Coping? ...

Only 56% 'keeping up
with bills and
commitments without
difficulty'

Half of NI Gross Earnings £330
or less per week

10% benefit
dependency
(6% GB)

29% only month away
from financial hardship
if lost main household
income/benefits (UK=17%)



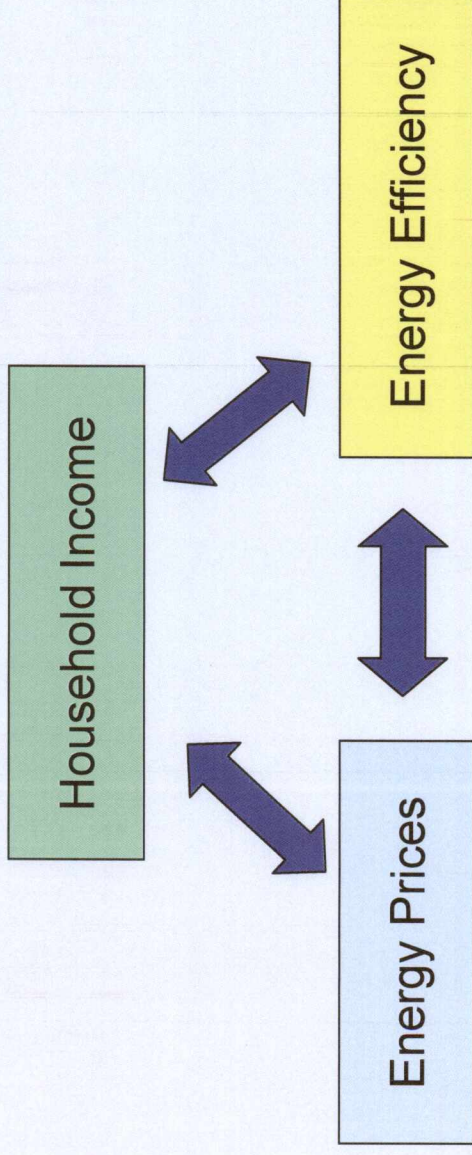
71% social housing tenants
without household insurance

20% used credit to pay
regular household bills

Only 28% of consumers save regularly

Fuel Poverty in NI ...

Causes



Extent

- 225,583 or 34 per cent of households in fuel poverty
- Double GB average, triple England

NI Fuel Poverty ...

According to the 2006 NIHE House Condition Survey:

- 66% in owner occupied homes
- 68%/32% urban/rural split
- 49% under 60 years of age
- 23% have one or more children
- 85% have an income of less than £15,000 p.a.
- 27% employed

Not just older people and not just those on benefits =
Low income working households (“working poor”)

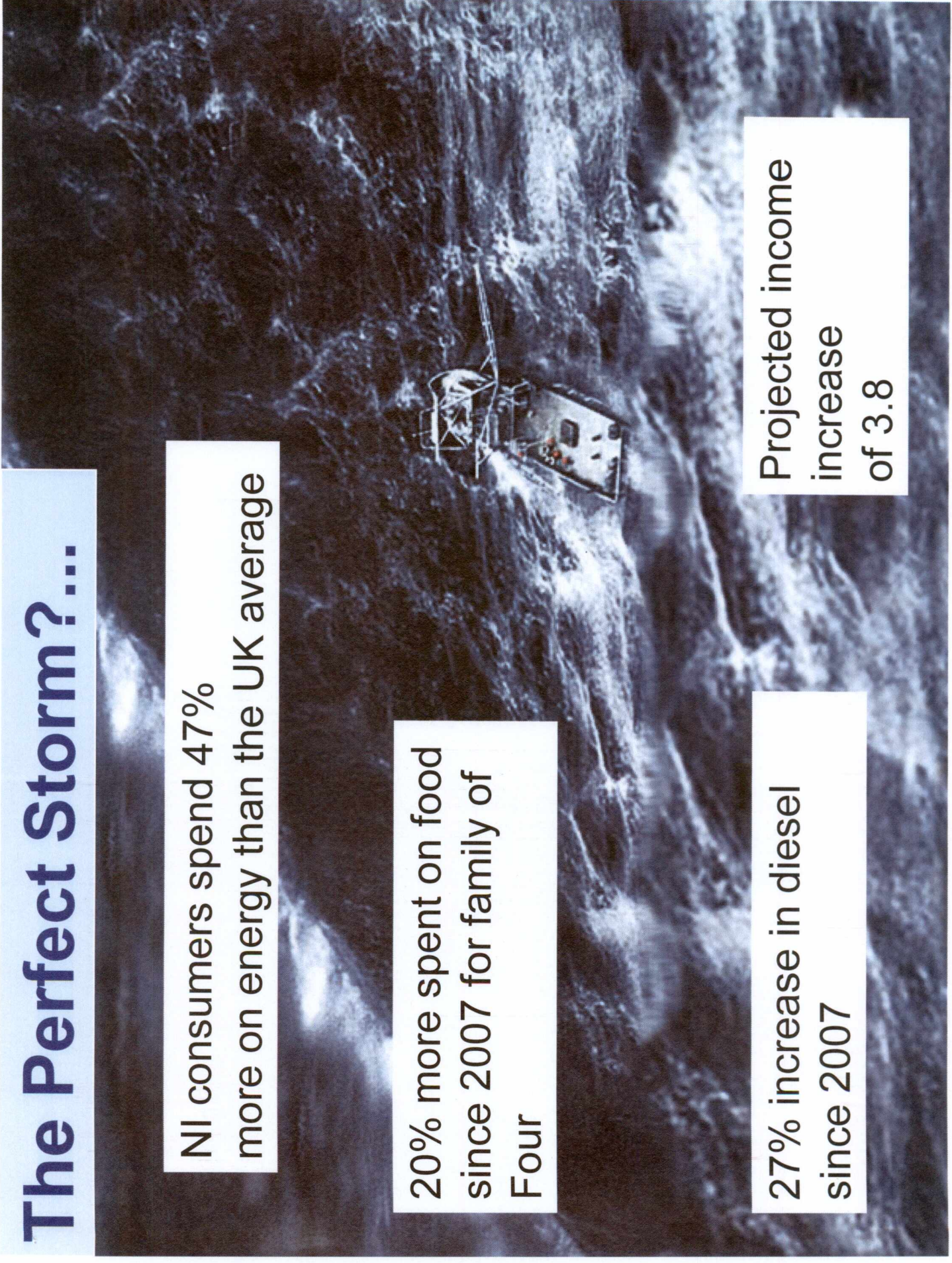
The Perfect Storm?...

NI consumers spend 47% more on energy than the UK average

20% more spent on food since 2007 for family of Four

27% increase in diesel since 2007

Projected income increase of 3.8



What can be done? ...

Energy Costs

Bearing Down On Local Costs
Stimulate Competition and Market Opening

Access to Data Sets Coordinated Political Action

Short
Term

Energy Efficiency

Targeting Fuel Poor
Schemes
Schemes for Low Incomes
Maximising all spend

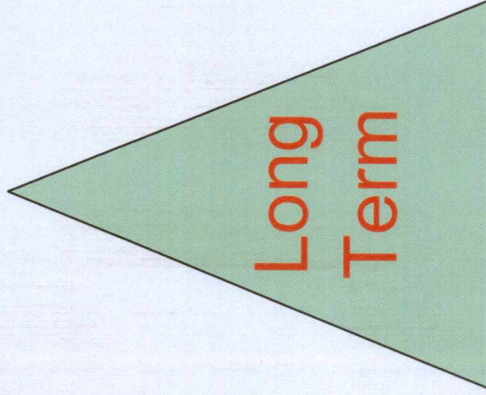
Income

High Price Payment "Trigger"
Maximise Income and
Benefits
Identify/Assist Fuel Poor
households

What can be done? ...

Energy Costs

Review Energy Storage, Mix, SEMs
Energy Strategy
Purchasing Strategies



Energy Efficiency

Review EEL
Building Regulations
User Incentives
Targeted Use of Resources

Income

Review Winter Fuel Payments
Income-based Affordability Tariff
Other Social Tariffs
Trust Funds

Winter Fuel Payments ...

- Approximately £50 million per year
- Doesn't get to people who need it
 - Half of fuel poor under 60 years of age
 - 27% working; 23% have child(ren)
(source NIHE House Condition Survey 2006)
- Isn't enough
 - Same since 2001
 - Wouldn't fill half a tank
 - Out of synch with energy prices

Social Tariffs ...

What is it?

- Lowest Possible Tariff for low income households
- Only part of answer within holistic package

Who should set the rules?

- Eligibility by Government, not suppliers

What might it look like?

- Many options e.g. rising block tariffs, flat rate charge, energy allowance, income-based affordability tariff (like water)

How much might it cost?

- Different scenarios: £13.76 per year or 26p per week to every NIE Energy domestic customer, to give all the 225,583 households in fuel poverty a 10% discount off the NIE Energy standard tariff.

Who should pay?

- Many options e.g. UK/NI taxpayers, NI energy consumers, Suppliers
- Utilise Energy Efficiency Levy

How Can Consumer Council Help? ...

- **Independent Voice – Gain assurance, transparency, fairness**
 - To be consulted tariff reviews, consumer policies, redress and standards
 - Input into open markets
- **Evidence-based approach**
 - Consumer research, behaviour and experience e.g. Self-disconnection, fuel poverty, social tariffs and research for working poor
 - Multi-utility experience, knowledge and networks
 - User Panels and engagement
- **Ministerial advisory role**
 - Fuel Poverty Advisory Group, Independent Cross-Departmental Group, Anti-Poverty Strategy
- **Financial Capability**
 - Payment methods, accessing benefits, budgeting and money affairs

Conclusion ...

- 6 months to winter – coordinated short and long term action needed with political leadership
- Credit Crunch – now Consumer Crunch
- Not over yet