

# NIE Energy Limited

Presentation to the Committee for  
Enterprise, Trade and Investment

29 May 2008

# Discussion Areas ....

- Electricity market update
- Price drivers
- Mitigating the impact of price pressures
- The way forward - discussion

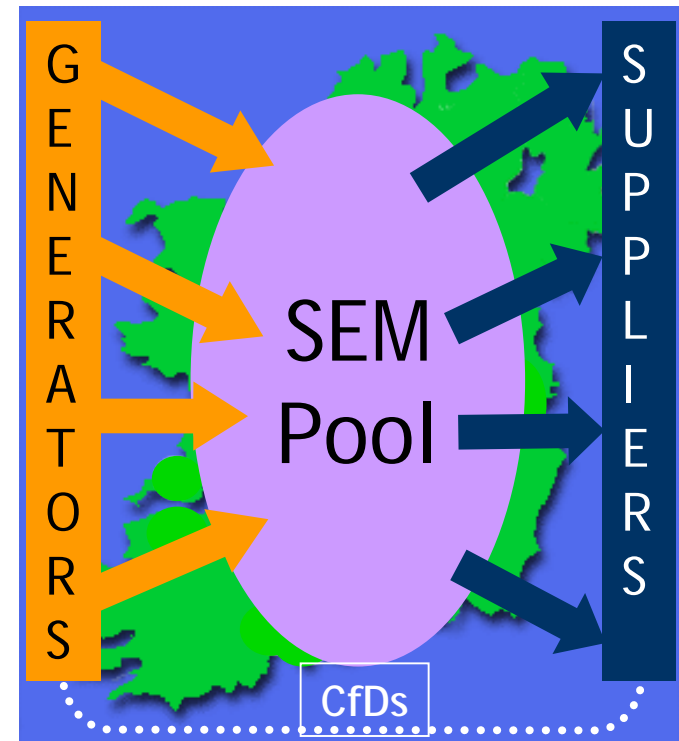
# NIE Energy



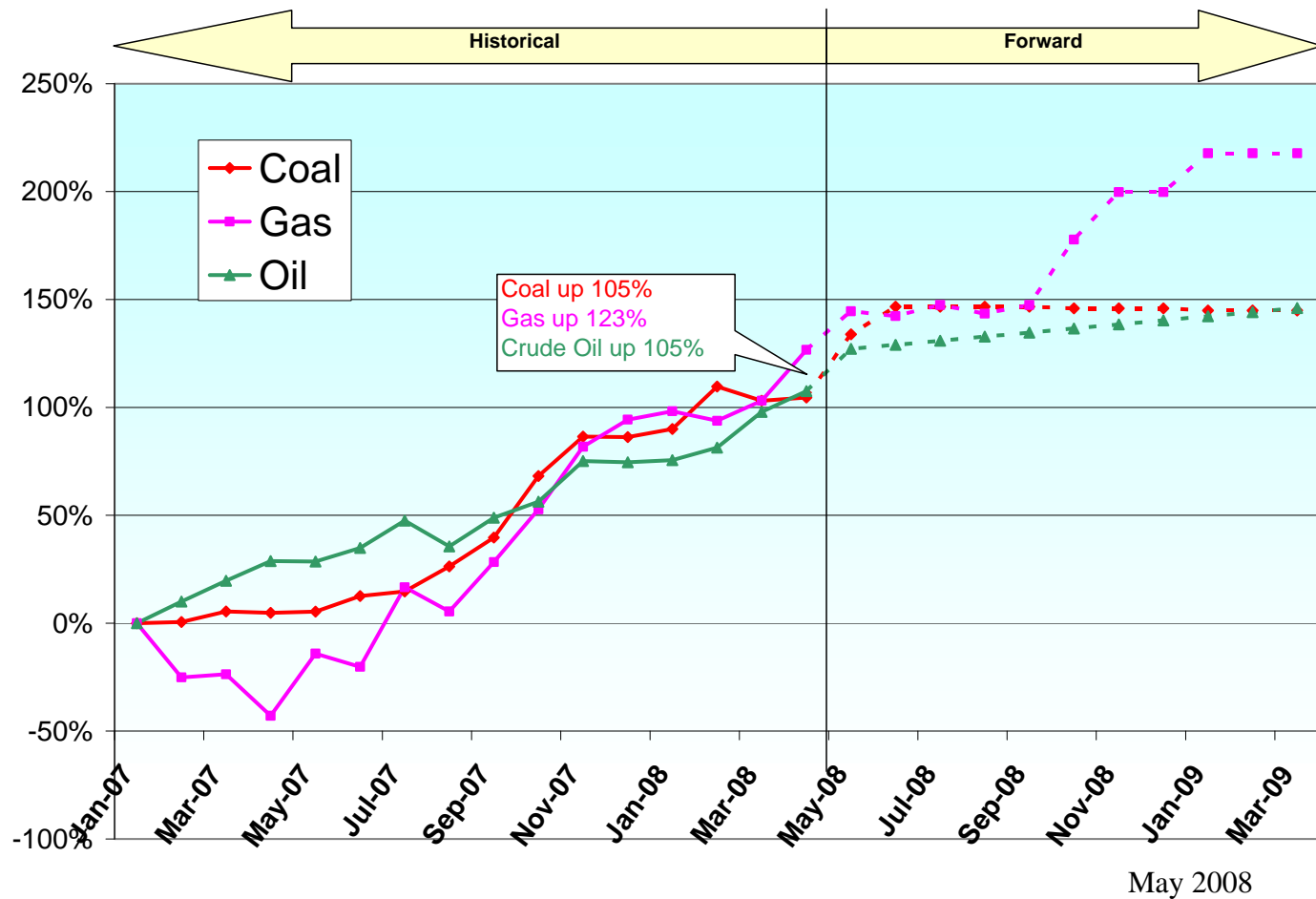
- Became NIE Energy Ltd on 1 November 2007
- Formerly the 'supply business' of Northern Ireland Electricity plc
- Part of Viridian Group Ltd
- Retail to 730,000 households and 49,000 smaller businesses in Northern Ireland
- HQ in Belfast with Call Centres at Newtownabbey, Ballymena and Omagh
- Regulated by NIAUR
- Regular interaction and consultation with the Consumer Council NI

# Single Electricity Market (SEM)

- Created November 2007
- All-island market
- Pool price changes every 30 minutes
- We manage market risk and complexity to offer simple published tariffs to customers

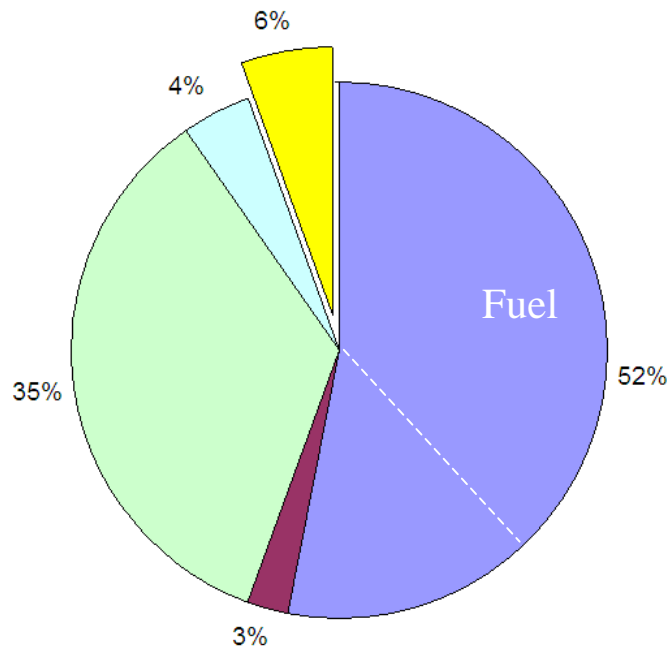


# Escalating World Fuel Prices

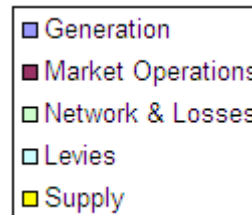
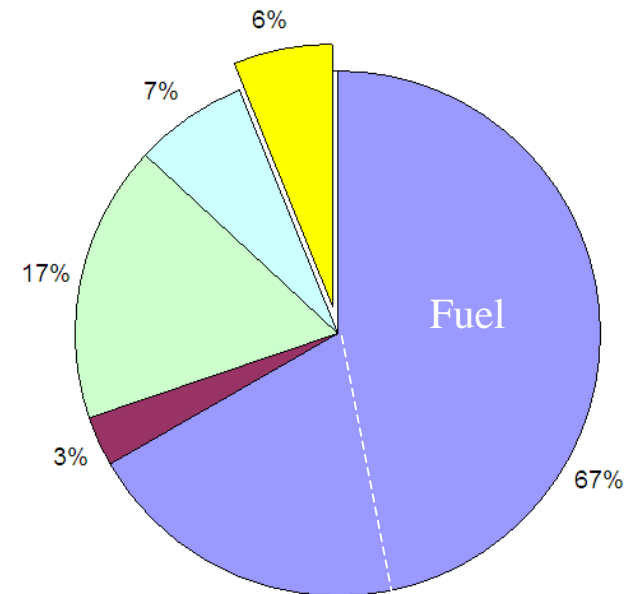


# Breakdown of Typical Bill

**Breakdown of typical Domestic customer bill**



**Breakdown of Business customer bill**



**April 2008**

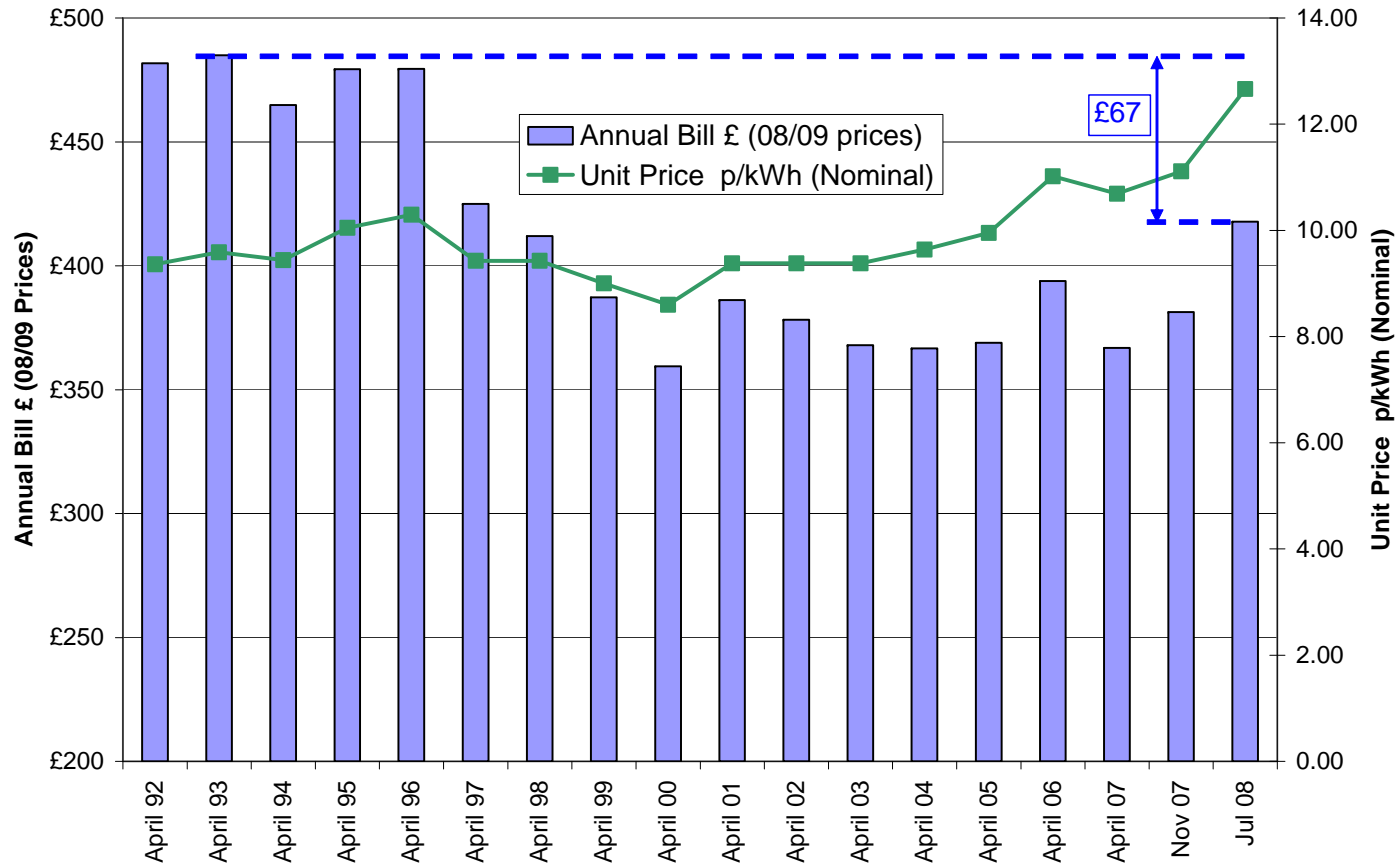
# Pricing Consultation Process

- NIE Energy has been consulting closely with both NIAUR and CCNI since January 2008
- What was agreed in the short term:-
  - 14% increase to all tariff categories
  - Press announcement was yesterday - 28 May 2008
  - Price increase to be applied from 1 July 2008
- NIE Energy will continue to consult closely with both NIAUR and CCNI in the context of a scheduled tariff review this Autumn

*“Upward pressure on costs around the world makes it likely that consumers in Northern Ireland will be affected by high energy prices for some time to come.”*

*Iain Osborne - CEO NIAUR 24 April 2008*

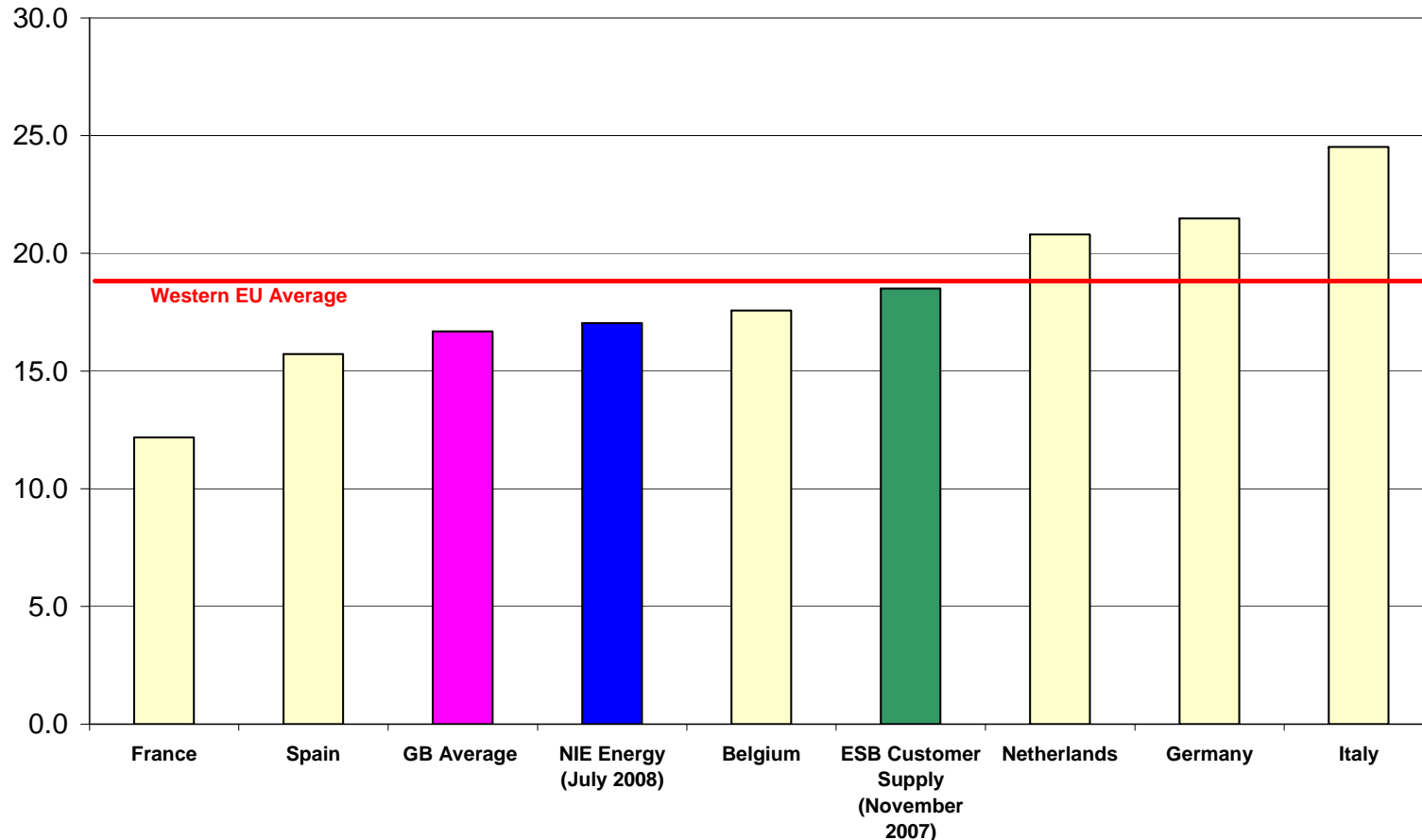
# NI Domestic Prices History



Based on annual consumption 3,300 kWh pa, prices exclude VAT



# Domestic Price Comparisons



**Basis for comparisons:**

For standard domestic, annual consumption 3,300 kWh (except EU comparison 3,500 kWh), standard credit and including VAT  
 Exchange rate assumption 1€ = £0.78 for comparison with ESB and EU prices.  
 The GB comparator regions are Scottish Hydro, Swalec and Sweb.

# Home heating costs

- 30,000 homes use Economy 7 for home space and water heating
- Equates to 4% of NI housing stock
- Around half of these are social housing
- E7 tariff increase = 14%
- Main heating fuels also increasing
  - Oil - 66% over last 12 months
  - Gas - PNG's recent announcement, 28% increase



- Annual heating cost comparison

- Oil	£1,432		(3-bed home -Based on Sutherland Comparison Methodology. May 2008)
- Gas	£1,280		
- E7	£1,121		

# What NIE Energy is doing to help?

1. Discounted electricity
2. Support for vulnerable customers
3. Save energy and carbon

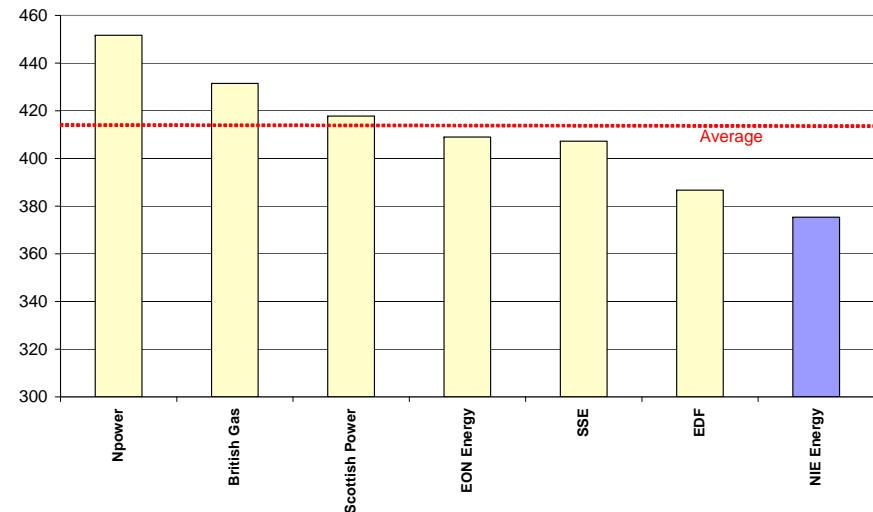
# 425,000 households get discounted electricity

## KEYPAD

- 200,000 households pay this way
- Pay as you go
- Meter fitted for free
- 2.5% discount off standard rate (in GB, customers generally pay c£ for prepayment)
- Top-ups from local shop or 24/7 on-line/telephone
- Friendly credit 'out of hours'
- Provides feedback on electricity use
- **Sustainable social tariff**



## UK Prepayment Comparison – Annual Bill £



Source: Energywatch April 2008 – 3,300 kWh

## DIRECT DEBIT

- 225,000 households pay this way
- Monthly - 4% discount, save up to £34 a year (£8.50 a quarter)
- Quarterly – 2.5% discount, save up to £22 a year (£5.50 a quarter)

# Support for Vulnerable Customers

- Practical heating and insulation for vulnerable households
- £1million benefit uptake initiative - average of £36 per week in unclaimed benefit
- Energy efficiency guide and Home Energy Check in every bill
- Zero disconnection for registered domestic customers (unless fraud is involved)
- Information available in 11 languages



# Energy Efficiency Programme

- **Vulnerable households**
  - Packages of heating and insulation for homes with no heating, solid fuel or Economy 7
- **Other households**
  - Special offers and cash backs for insulation, heating, lighting, appliances
- **Businesses**
  - Special offers for SMEs and farmers for lighting etc



# Renewable options

- How we encourage renewables:
  - Photovoltaic top up grants
  - Help with Hydro
  - Domestic CHP
  - Wood pellet heating
  - Community renewables
  - 'Switched-on schools'
  - Hard to Heat
- NIE Energy generation tariff – rewards for export electricity and Renewable Obligation Certificates (over 350 small generators)



# The Way Forward

- Build on current successful mechanisms and partnerships
  - Price - Keypad metering
  - Consumption - Energy Efficiency Programme
  - Income - maximise benefits
- More focussed targeting
  - NIE Energy is committed to working constructively with the Fuel Poverty Task Force
- Competition & Choice
  - Wholesale markets
  - Product innovation