



The Consumer Council

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Simon Scott
Utility Regulator
Queens House
14 Queen Street
BELFAST
BT1 6ER

Dear Simon,

Re: Demand Side Vision for 2020

The Consumer Council is a Non-Departmental Public Body set up in legislation to safeguard the interests of all consumers, and particularly the vulnerable and disadvantaged. The Consumer Council is an independent organisation which operates to promote and protect the consumer interest.

We welcome the opportunity to respond to this consultation on the Single Electricity Market Demand Side Vision for 2020.

Introduction

Demand side management has the potential to deliver significant benefits to consumers however it is essential that demand side management activities are accompanied by a robust policy framework. The consultation identifies a number of benefits that demand side management could have for the electricity market in Northern Ireland. Many of these benefits will depend on a number of factors, primarily the actions of consumers.

The Consumer Council believes that Northern Ireland's consumers need affordable energy prices; and that the energy sector needs to fully acknowledge and take account of the needs of the consumer within this ever changing energy environment.

Consumers

Energy costs must be fair to all consumers. It is the responsibility of Government, the Regulator and the Energy Industry to keep energy bills as low as possible, particularly for the most vulnerable.

The Consumer Council believe that it is vital that consumers know that they are getting a fair deal in purchasing their energy needs, and that they are confident and empowered to make the best decisions possible. To this end, the Consumer Council believes that consumers need to be able to assert more individual control over their own energy consumption, and therefore we will continue to work to empower the consumers so that they are educated and confident to take decisions that reflect their particular circumstances, and recognise the impacts their lifestyle has on the environment.

Educating the consumer will be essential for demand side management to succeed. The Consumer Council understands that current market structures may be complicated to consumers and there is a requirement for high level consumer education to be completed before consumers are able to make informed choices about their use of electricity in the short run and their selection of appliances in the long run.

We are in agreement that high level co-ordination is required between stakeholders and policy makers in order to realise the potential of demand side management. It is also important that the views of consumers are considered during co-ordination, as the greatest impact will be experienced by consumers.

Research has shown the impacts of advertising may be short lived, however, it should not be dismissed as a method for engaging with consumers. Indeed more proactive marketing may help extend the life of advertising campaigns.

In order to receive consumer buy-in for demand side management there needs to be clear and tangible benefits, ultimately in the form of lower bills. It should not be assumed that there will be lower costs to the consumer as, even with lower consumption increases in the price of electricity could offset any savings. With high levels of Fuel Poverty in Northern Ireland it is important that the benefits to consumers will be realised through lower prices as well as lower consumption. Though benefits of demand side management have been highlighted in the consultation, these benefits must be realised by consumers in order to achieve the anticipated outcomes.

Energy Efficiency

The Consumer Council believe that as an initial first step to any future demand side management policy, all possible energy efficiency measures must be maximised throughout Northern Ireland.

Energy efficiency and demand side management measures could result in savings of millions of pounds for organisations and consumers across

Northern Ireland. At a business level, the Carbon Trust suggests businesses can save 10 per cent in energy costs through free measures such as automatically powering off computers at night.

The IEA claims that every pound invested in energy efficiency generates more than £4 in savings, with a payback period of roughly four years. Future financial savings from energy efficiency are likely to increase even higher with increasing energy prices.

Given the risk faced by consumers from new technologies and demand side management technologies, it is important that standards of service for installation are put in place. These standards should also ensure households have all the necessary energy efficiency measures in place prior to installation of demand side management technologies. Such standards will act as a safeguard for consumers so that they know the money that they spend will make the biggest impact in reducing their energy bills.

Transmission and Distribution

The Consumer Council is aware that in developing a future transmission and distribution network capable of coping with increased levels of renewable and micro generation the grid in Northern Ireland will need to be strategically planned, rather than being incrementally developed.

In developing the necessary transmission and distribution network, a transparent and accountable cost/benefit analysis of any proposed investment decision must be undertaken, to ensure that the consumer is getting the best possible deal.

The Consumer Council would like to ensure that the Utility Regulator takes full account of the Department of Enterprise, Trade and Investment's (DETI) Strategic Energy Framework (SEF) when developing policies around the strengthening of the grid and using demand side management.

Time of use tariffs

Demand side management refers to deferring electricity consumption to off peak demand periods to avoid the higher cost experienced during peak periods when using time of use (ToU) tariffs. It should be noted that peak prices will be realised when it may not be possible for consumers/businesses to defer consumption without significant changes in their behaviour. Automation in some devices may help defer usage but it may not provide benefits for households using electricity for cooking, heating or lighting during peak times. There is also the risk that as demand during peak periods is reduced the price of electricity during these times will be artificially inflated causing the consumer undue financial pressures if they use electricity during these times.

It is suggested automation could lead to a reduction in peak consumption of up to 80 per cent. The impact to consumers of such a reduction is not clear.

Changes in peak consumption may result in the peak demand period shifting. It would therefore be important to ensure that automation equipment could be automatically updated to work in line with changing peak periods.

The enablers discussed as policy options do not specifically fall under this heading and in some cases could represent barriers. Enablers should include technologies or policies already in place which will aid in policy development, not those which are required as part of the policy development. Without such 'enablers' it is possible to classify these as barriers as they require actions before they are in place.

Electric Vehicles

The use of electric vehicles is currently being trialled throughout the Republic of Ireland and Great Britain. It is important that the infrastructure used in the jurisdictions is compatible and also compatible with any EU programmes to allow easier connections with EU smart grids. This could result in economies of scale leading to lower construction costs.

Renewable Heat and Renewable Generation

The Consumer Council believe that if cost effective to consumers, Northern Ireland presents good economic conditions for renewable heat due to the high proportion of heat demand that remains off current mains gas supplies, and has the potential to reduce consumers dependency on volatile fuel prices (such as heating), whilst reducing Northern Ireland's carbon emissions.

The Consumer Council is concerned however that the "Heat Market" is currently unregulated, and that in going forward, the Council would like to see that mechanisms are put in place to ensure that the customer is getting the best deal in terms of; cost, reliability and quality of service.

The Consumer Council understand that electricity generation from renewable sources will become more widespread. It is important that access to the grid is available, affordable and equal for all connections including micro-generation. The significant grid development work required to meet renewable targets must provide value for money for consumers who will ultimately pay for this cost through their bills.

The upfront cost of household based renewable technology is currently the main barrier to the uptake of micro-generation. We believe that, in going forward the affordability of these products needs to be examined and the possibility for financial incentives to ensure that they are deployed on a larger scale.

Consumers need clear information about micro-generation, so that they can make informed choices as to what investments provide the best return for them as householders and businesses.

A system of pre-set, long-term tariffs will ensure that people investing in micro-generation (and the financial institutions arranging financing for them) have a high degree of certainty about the amount they will be able to earn over the years from generating electricity.

Smart Grids and Smart Meters

Smart Grids and Smart Meters will play an important role in future energy policy. The Consumer Council recognises the benefits of Smart Meters allowing greater control of energy usage. However, the benefit to consumers will only be realised if their home is fully insulated, and has energy efficiency devices, such as low energy light bulbs, installed. Any Smart Grid or Smart Meter programme must go hand in hand with an energy efficiency programme, where required, which will ensure consumers benefit.

It is the Consumer Council's position that Smart Meters should be installed at no extra cost to consumers, as they will create significant recurring savings for the energy companies that far exceed the cost of installation and operation. Savings will come as a result of ending the need to dispatch meter readers and estimate bills, whilst reducing significantly the call centre requirements and providing better load management through Smart Grid applications. One of the concerns on smart meters is the data communication between the home and supply companies. The consumer must be clear on the data communication and necessary safeguards must be in place which will provide consumers with confidence.

Conclusion

Transparency and openness will be vital to achieve customer 'buy-in' to the strategies aims. All costs and benefits must be stringently analysed and presented to public scrutiny. Data must be robust to ensure no 'credibility gap' emerges. It is important that all consumers are privy to the same level of information to avoid knowledge imperfections between consumers.

I hope that these comments are helpful and are given due consideration. Please contact me if you require any clarification.

Yours Sincerely,

Andrew Murray
Senior Consumer Affairs Officer